

## MEMORANDUM

TO: Michael Galasso, Falmouth EDIC  
FROM: RKG Associates, Inc.  
RE: Update of Housing Needs and Demand Analysis, Town of Falmouth  
DATE: August 28, 2017

### INTRODUCTION

This memorandum provides an update of the housing needs and demand estimates in RKG's *Housing Demand Study and Needs Analysis* (2014) prepared for the Town of Falmouth. The data used for the analysis come from several sources, notably Alteryx (a propriety data resource that builds on Census data), the U.S. Department of Housing and Urban Development Comprehensive Housing Affordability Strategy (CHAS) data, and both data and estimates available from the U.S. Census Bureau. Falmouth data have been analyzed, and in conjunction with the projections from Alteryx, we have prepared future housing demand forecasts to 2021. The forecasts are based on estimates, assumptions, and professional judgement. Additionally, RKG Associates, Inc. reviewed relevant information from the preliminary Cape Cod Regional Housing Needs and Market Analysis Forecast.<sup>1</sup>

The housing analysis provides insights into demographic cohorts that are experiencing changes in demand. This information is essential because it can help to inform decisions about how best to address housing supply. Additionally, this memo provides information about Falmouth's existing housing market and housing affordability.

### TOTAL HOUSEHOLD PROJECTIONS

Based on forecasts obtained from Alteryx and data from the Census Bureau, the annual demand for owners and renters was determined by age, income, and unit pricing. Table 1 shows a high-level summary of the annual household demand for housing. Households in Falmouth are forecasted to increase to 14,482 in 2021, indicating a net gain of 502 households from 2016, with 68 percent as owner-occupied and 32 percent as renter-occupied. Owner households are anticipated to increase by 341 between 2016 and 2021,

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<sup>1</sup> The Regionally Housing Needs and Market Analysis Forecast provided a high-level overview of the market needs across different sub-regions across the Cape. Specific information related to Falmouth Detailed information has yet to be released.

which equates to an average of 68 owner units per year. Renter households are projected to increase by nearly 161, or an average of 32 renter units per year.

	<b>Owner</b>	<b>Renter</b>	<b>Total</b>
2016	10,314	3,666	13,980
2021	10,655	3,827	14,482
5-year change	341	161	502
Annual Average	68	32	100

Source: Alteryx, U.S. Census, and RKG Associates

## **OWNERSHIP AND RENTAL AFFORDABILITY**

As part of the housing demand analysis, home values for ownership and rents for rental units are calculated based on gross income, using standard HUD methodologies. Some of the assumptions used for determining the amount of housing available at certain income thresholds include interest rates, down payments, and cost as a percent of income. Table 2 shows the assumptions used and the home values and rents that are attainable at different incomes. As an example, households with incomes of \$75,000 have an absolute maximum home purchasing price of \$360,000. Beyond this value, the financial strain of homeownership costs becomes significant. Additionally, at the \$75,000 income level, the maximum amount of rent that does not induce housing cost burden is \$1,875 per month.

<b>Gross Income</b>	<b>Ownership</b>		<b>Monthly Rent</b>
	<b>Low Value</b>	<b>High Value</b>	
\$20,000	\$75,000	\$95,000	\$500
\$40,000	\$150,000	\$190,000	\$1,000
\$60,000	\$225,000	\$285,000	\$1,500
\$75,000	\$285,000	\$360,000	\$1,875
\$100,000	\$370,000	\$475,000	\$2,500
\$125,000	\$475,000	\$600,000	\$3,125
<b>Ownership Assumptions</b>	<b>Low</b>	<b>High</b>	
Interest Rate	5.00%	4.00%	
Term	30	30	
Down payment	5%	20%	
Real Estate Taxes/1000	\$8.53	\$8.53	
Insurance /1000	\$4.00	\$4.00	
Cost as Percentage of Income	28%	28%	

Source: HUD, RKG Associates, Inc.

## **Forecasted Annual Household Demand**

This section estimates annual demand for housing in Falmouth over the next five years based on household forecasts obtained from data analytics firm Alteryx and key characteristics from U.S. Census data. The annual demand is allocated to owner and renters by age, income, and pricing.

Alteryx is an industry leader in data analytics, combining third-party data analysis with local and corporate data sources to provide its users with a customizable platform for tracking and integrating the changing dynamics of the American household. Alteryx's data sets are derived from Census 2010 and American Community Survey estimates (annual update) current year, consumer expenditures (current year estimates and five-year projections), retail demand, Simmons National Consumer Survey Data (annual update), as well as other recognized data sources that analyze population characteristics, such as racial and ethnic information, and family, household, and housing unit details.

Understanding current and future housing demand is essential to create a policy that addresses needs. The housing demand by tenure analysis provides insights into demographic cohorts that are experiencing changes in demand. This information is essential because it can help to inform decisions about how best to address housing supply.

It is important to note, however, that this demand analysis is based on market projections of net population growth in Falmouth given the continuation of current trends in changing household income and characteristics.

The increase in projected demand from these higher income households does not negate the fact that there remains substantial demand for housing units affordable to lower income households. This current and projected influx of higher income households will continue to squeeze the supply of affordable housing in Falmouth, pricing lower income residents out of the community; hence the projected decrease in demand for ownership and rental units for households with annual incomes less than \$75,000 (further detail provided below).

## **FUTURE DEMAND FOR OWNERSHIP UNITS**

Table 3 shows the estimated change in demand for ownership units in Falmouth between 2016 and 2021. The analysis takes into consideration age (head of householder), income, and affordable home value.



### Demand by Income Level

Nearly all the positive demand for ownership units in Falmouth is derived from households with incomes exceeding \$100,000 (30 percent increase since 2016, or an aggregate increase of 971 households). This increased demand holds true across all age groups in this income bracket of over \$100,000, with the highest concentration in the over 65 cohorts for the head of the householder.

Conversely, demand for ownership units in Falmouth is projected to decrease at the lower end of the income spectrum, potentially due to lower income households leaving Falmouth in search of more affordable communities. Significant losses are found in the income brackets under \$75,000 per year. Between 2016 and 2021, demand for ownership units is projected to decrease by 17 percent for households with incomes between \$60,000 and \$75,000, and by 14 percent for those with incomes between \$40,000 and \$60,000 (or a total loss of 197 and 212 households, respectively). Demand will decrease by 12 percent for households with incomes under \$40,000 (or a total loss of 368 households).

**Table 3. Annual Owner Demand by Age, Income, and Value (2016 – 2021) in Falmouth**

Income Range	Age Groups					Total	% Change (2016-2021)	Home Values Based on Income
	Under 35	35 to 44	45 to 54	55 to 64	Greater than 65			
Less than \$40,000	(26)	(52)	(101)	(103)	(85)	(368)	-12%	Up to \$190,000
> \$40,000 and <=\$60,000	(26)	(31)	(63)	(65)	(27)	(212)	-14%	\$150,000 to \$285,000
> \$60,000 and <=\$75,000	(29)	(27)	(69)	(64)	(8)	(197)	-17%	\$225,000 to \$360,000
> \$75,000 and <=\$100,000	15	26	(49)	(3)	158	147	10%	\$285,000 to \$475,000
Greater than \$100,000	107	78	84	187	515	971	30%	More than \$370,000
Aggregate Total	41	(7)	(198)	(48)	553	<b>341</b>	3%	
% Change (2016-2021)	5%	-1%	-11%	-2%	13%			

Source: Alteryx, U.S. Census, and RKG Associates Inc.

### Demand by Age Cohort

The estimated changes in demand for ownership units by age also yield interesting insights. The greatest increase in demand is expected to come from households where the head of the household is 65 years or older (13 percent increase from 2016, or a total increase of 553 households). The growth of the senior population may have potential implications on town services and priorities. Following the 65 years and over age cohort are households where the head of household is under age 35 (5 percent increase in demand since 2016 or a total increase of 41 households). In both these age cohorts, households with incomes greater than \$100,000 make up the largest area of increase in demand for ownership units in Falmouth.

On the other end of the spectrum, it is estimated that a decrease in demand for ownership units will come from households where the head of the household is between 45 and 54 years old (a decrease of 11 percent, or total loss of 198 households).

## FUTURE DEMAND FOR RENTAL UNITS

### Demand by Income Level

Table 4 shows the estimated change in renter demand for rental units in Falmouth between 2016 and 2021. Once again, the most apparent change in demand is at the highest income threshold of over \$100,000 per year (31 percent increase since 2016, or a total increase of 361 households at the income level), followed by those households with incomes between \$75,000 and \$100,000 (11 percent increase, increase of 58 households). For both income brackets, the increased renter demand holds true across nearly all age groups, and the highest concentration is in the age cohort of 65 and greater for the head of household.

Similar to the decreases in demand for ownership units, renter demand in Falmouth is projected to decrease in the income brackets under \$75,000 (between 11 and 16 percent decrease). Significant losses are expected in the income bracket containing households with annual incomes less than \$40,000: a loss of 121 households is projected between 2016 and 2021. Based on these projections, demand for rentals will come from the higher end of the market, and could be an indicator to developers to continue building luxury product.

Income Range	Age Groups					Total	% Change (2016-2021)	Rents Based on Income
	Under 35	35 to 44	45 to 54	55 to 64	Greater than 65			
Less than \$40,000	(9)	(18)	(35)	(36)	(24)	(121)	-11%	\$500 to \$1,000
> \$40,000 and <=\$60,000	(9)	(11)	(22)	(22)	(7)	(71)	-13%	\$1,000 to \$1,500
> \$60,000 and <=\$75,000	(10)	(9)	(24)	(22)	(1)	(66)	-16%	\$1,500 to \$1,875
> \$75,000 and <=\$100,000	6	10	(17)	1	58	58	11%	\$1,875 to \$2,500
Greater than \$100,000	40	29	33	71	188	361	31%	More than \$2,500
Aggregate Total	18	2	(65)	(8)	214	161	4%	
% Change (2016-2021)	6%	0%	-10%	-1%	14%			

Source: Alteryx, U.S. Census, and RKG Associates Inc.

### **Demand by Age Cohort**

Looking further at the projections by age group, it is estimated that the greatest increase in demand for rental units will come from seniors age 65 and older (14 percent increase, or 214 households), again with the greatest increase projected to take place at the \$100,000 or more income level. Demand for rental units will increase 6 percent for households whose head of household is under 35, particularly in the income brackets of greater than \$100,000 with a projected increase of 40 households.

As is the case for the change in demand for ownership units in Falmouth, a decrease in demand for rental units is projected to come from households where the head of the household is between 45 and 54 years (10 percent decrease, or total loss of 65 household), or is age 55 to 64 (1 percent decrease, or total loss of 8 households). This decrease in demand suggests that households in these categories may not be able to find suitable housing in Falmouth.

### **BUILDING PERMIT DATA**

Building permit data tells the story of general development activity in a community. This data details the number of building permits per year associated with different residential building types, and provides the number of residential buildings and the number of residential units connected to each permit. Additionally, the building permit data shows the average dollar value of the improvements (expressed as an estimate of construction costs). While the data does not specify renovations versus new construction, significant building costs can indicate either large renovations or new construction.

According to available building permit data from the Massachusetts State Data Center, between 2006 and 2015, Falmouth issued a total of 1,080 building permits associated with housing units, or about 108 per year during this ten-year timeframe, as shown in Table 5. Between 2006 and 2015, about 60 percent of residential building permits were for single family homes (653 units in total), and approximately 37 percent were for buildings with greater than five-units (409 units in total). Additionally, 65 building permits were issued for single-family homes in 2015, and none for multifamily dwellings. The average value for each permit amounted to \$363,320, indicating significant residential construction costs.

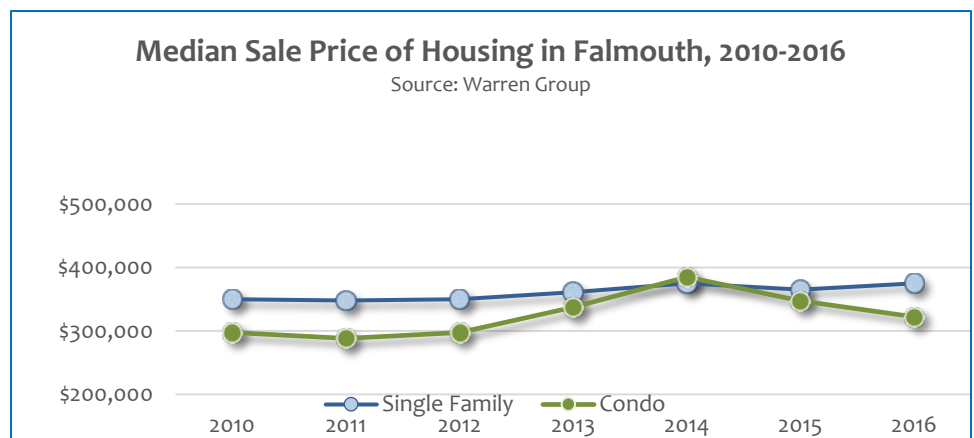


Residential Building Permits				
Year	Single-Family	Two-Family	Multifamily (3-4 Units)	Multifamily (5+ Units)
2006	111	0	6	41
2007	97	0	9	70
2008	63	0	3	50
2009	49	0	0	20
2010	55	0	0	21
2011	44	0	0	20
2012	50	0	0	40
2013	62	0	0	68
2014	57	0	0	79
2015	65	0	0	0
<b>Total</b>	<b>653</b>	<b>0</b>	<b>18</b>	<b>409</b>

Source: MA State Data Center, UMASS Donahue Institute (UMDI), Annual Building Permit Data for all Cities and Towns, from Census Bureau Construction Statistics, 2000-2015; Reported Data plus data imputed for non-reporters and partial reporters; and RKG Assoc.

## HOME SALES PRICE

Over the last seven years, the median sale price for a single-family home in Falmouth has increased modestly. In 2010, the median sale price was \$350,000 and in 2016, it was \$375,000, an increase of 7 percent, according to The Warren Group, a compiler and publisher



of home sales data in Massachusetts. Concurrently, the price of a condominium in Falmouth has experienced greater fluctuation (see chart below). In 2010, the price of a condominium was \$297,500 and in 2016, \$322,000. Condominium sale prices peaked in 2014 with a median price of \$385,000, surpassing even the sales price of single-family home.

The condominium market in Falmouth was robust, but it appears to have softened. Condominiums offers an entry point for homeownership that is typically more affordable than a single-family home.

## AFFORDABILITY

### Housing Cost Burden

As defined by the U.S. Department of Housing and Urban Development, “housing cost burden” occurs when low- or moderate-income households have to spend more than 30 percent of their monthly income on housing costs. For homeowners, “housing costs” include the monthly cost of a mortgage payment, property taxes, and insurance. For renters, it means monthly rent plus basic utilities (heat, lights, hot water, and cooking fuel). When housing costs exceed 50 percent of a low- or moderate-income household’s monthly income, the household meets the definition of “severely cost burdened.” Nearly 75 percent of Falmouth’s low-income households are housing cost burdened while 62 percent of its moderate-income households are cost burdened. Of homeowners in Falmouth, 69 percent are cost burdened while 73 percent of renters are cost burdened. These findings are summarized in Table 6.

	Elderly family (household of two; 62 years and over)	Elderly, non- family	Large family (5+ people)	Small family (2-4 people, not elderly)	Non- family, not elderly
Total Households	1,389	2,145	380	1,669	1,295
<b>Cost Burden</b>					
<= 30% AMI	45%	39%	32%	22%	30%
>30% but <=50% AMI	25%	30%	32%	40%	25%
> 50% to 80% AMI	30%	31%	37%	37%	43%
Not Computed	0%	1%	0%	1%	2%
Source: CHAS 2009-2013. AMI refers to area median family income; in this case, the Barnstable County AMI.					

Understanding cost burden by household type is important because it can help communities plan for the types of housing needed to address the most critical affordability problems. The CHAS data provide a breakdown of cost burden for: large family, small family, elderly family (elderly two-person households), elderly non-family, and all other non-family households. In Falmouth, the largest percentage of households with high housing cost burdens are elderly families with extremely low incomes (less than 30 percent AMI).



## Affordability Mismatch

While most communities have some older, more modestly priced homes and apartments with lower monthly rents, often due to the housing's age, condition, limited amenities or location, these units are not necessarily occupied by low- or moderate-income people. HUD's Comprehensive Housing Affordability Strategy (CHAS) data reports statistics for an affordable housing barrier known as **affordability mismatch**: rental housing units that are affordable *but* unavailable to lower-income households because higher-income households already live in these units.

Once again, it should be noted that CHAS data is based on the ACS 2009-2013 estimates, rather than the most recent ACS five-year estimates, and therefore, may not fully represent the present state of affordability mismatch throughout Falmouth today.

Affordability mismatch measures:

- The number of rental housing units in a community that are affordable to people with extremely low incomes (at or below 30 percent AMI), low incomes (between 31 and 50 percent AMI), and moderate incomes (between 51 and 80 percent AMI);
- The number of households in each income tier;
- How many of those households live in units they can afford; and
- How many of the affordable rental units have a high probability of housing problems in addition to housing costs, e.g., substandard or otherwise inadequate housing.

The affordability mismatch serves as a proxy for understanding the overall quality of life in a community and estimating populations at risk of homelessness.<sup>2</sup> According to a recent report by HUD on national housing affordability trends, higher-income renters occupy almost half of all units that would be affordable to extremely low-income renters (also known as very low-income renters):

*“Higher income renters occupy about 42 percent of the units that are affordable to extremely low-income renters, who earn less than 30 percent of the Area Median Income (AMI). Further, higher income renters occupy 36 percent of the units that are affordable to renters who have incomes at 30 to 50 percent AMI. As a result of this competition and because a substantial proportion of available units are not in standard or adequate physical condition, only 32 units of adequate affordable rental housing are available for every 100 extremely low-income renters.”<sup>3</sup>*

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<sup>2</sup> Or, not being able to live in their community of choice, and force to look elsewhere for housing that is more affordable. On Cape Cod, with its overall high housing costs, this often results in the need for low and moderate income households to live “off-Cape” requiring long commutes to get to their on-Cape jobs.

<sup>3</sup> HUD Office of Policy Research and Development (PDR), *Worst Case Housing Needs 2009: Report to Congress*, (February 2011), viii.

### Affordability Mismatch: All Bedroom Types

Table 6 presents affordability mismatch information for **all rental bedroom types** in Falmouth, according to the most recent CHAS data. The discrepancy between supply and demand was most pronounced for renter households with incomes at or below 30 percent of AMI (extremely-low income households): there are nearly three renter households in need of affordable housing for every one unit of affordably priced housing. This translates into 700 extremely low-income renter households vying for only 270 affordable and available units.

The discrepancy decreases moving up the income ladder, but was still quite notable at the income threshold of at or below 50 percent of AMI (known as low-income households), which also includes the extremely low-income households discussed above. At this income threshold, there were slightly less than two renter households competing for every one affordably priced units.

For households with incomes at or below 80 percent of AMI (moderate-income), which also includes the extremely low-income and low-income households discussed above, the affordability mismatch was far less pronounced – the supply of affordable and available rental units more closely mirrored the actual demand. There are nearly nine renter households competing for every ten affordably priced units; resulting in a shortage of 260 affordable units.

	Household Income<= 30% AMI	Household Income<= 50% AMI	Household Income<= 80% AMI
Total Units Affordable	270	730	1,545
Total Renter Households	700	1,295	1,805
Total Shortage/Surplus of Units Affordable to Income Groups	430	565	260
Affordable Units Per 100 Renter Households	39	56	86

Source: CHAS, 2009-2013

### Affordability Mismatch: One-Bedroom Units

Table 7 presents affordability mismatch information for **one-bedroom apartments** in Falmouth, per the most recent CHAS data. For extremely low-income households, there were about two renter households vying for every 1 affordably priced one-bedroom units, which equaled a shortage of about 215 affordable units at this income threshold.

For low-income households (at or below 50 percent of AMI), which include the extremely low-income households mentioned above, there were a shortage of 230 units: there were almost two affordably priced units for every three renter households at this income level.

For moderate-income households (at or below 80 percent of AMI), which also include the extremely low-income and low-income households discussed above, there was a slight shortage of 60 units, showing that the available housing stock of one-bedroom units met the demand at this income level.

<b>Table 7. Affordability Mismatch, One Bedroom</b>			
	Household Income<= 30% AMI	Household Income<= 50% AMI	Household Income<= 80% AMI
Total Units Affordable and Available	220	415	640
Total Renter Households	435	645	700
Total Shortage/Surplus of Units Affordable to Income Groups	215	230	60
Affordable and Available Units Per 100 Renter Households	51	64	91
Source: CHAS, 2009-2013			

### **Affordability Mismatch: Two-Bedroom Units**

Once again, lower-income renters in Falmouth experienced significant competition for affordable housing that matched their income level. Table 8 presents affordability mismatch information for **two-bedroom apartments** in Falmouth, according to the most recent CHAS data. For extremely low-income households, the mismatch was substantial: there were about 12 renter households vying for every 100 affordably priced two-bedroom units (or 125 renter households competing for only 15 affordable units).

This shortfall decreased at the low-income threshold. At this income level, which also includes the extremely low-income households mentioned above, there were nearly 2 renter households in need of every 1 affordably priced two-bedroom unit, which translated to a shortfall of 160 units.

For moderate-income households (at or below 80 percent of AMI), which also include the extremely low-income and low-income households discussed above, the supply of affordable two-bedroom rental units was more balanced. There were about three renter households competing for every four affordably priced units, yet there was still a shortage of 130 units.

<b>Table 8. Affordability Mismatch, Two Bedroom</b>			
	Household Income<= 30% AMI	Household Income<= 50% AMI	Household Income<= 80% AMI
Total Units Affordable and Available	15	125	415
Total Renter Households	125	285	545
Total Shortage/Surplus of Units Affordable to Income Groups	110	160	130
Affordable and Available Units Per 100 Renter Households	12	44	76
Source: CHAS, 2009-2013			

**Affordability Mismatch: Three- or More-Bedroom Units**

In Falmouth, at the lower-income thresholds, there was a significant shortage of **three or more-bedroom units**. For households with incomes at or below 30 percent of AMI (extremely low-income households), there are nearly 4 renter households for every affordable unit, with a shortage of 110 units, as shown in Table 9.

For low-income households, which includes extremely low-income households, there were about 2 renter households in need of every 1 affordably priced three or more-bedroom units, which translated to a shortage of 185 units.

For moderate-income households (at or below 80 percent of AMI), which also include the extremely low-income and low-income households discussed above, the mismatch was once again far less pronounced: there were about nine renter households competing for every ten affordably priced units; however, there was still a shortage of 70 units.

<b>Table 9. Affordability Mismatch, Three Bedrooms or More</b>			
	Household Income<= 30% AMI	Household Income<= 50% AMI	Household Income<= 80% AMI
Total Units Affordable and Available	35	195	500
Total Renter Households	145	380	570
Total Shortage/Surplus of Units Affordable to Income Groups	110	185	70
Affordable and Available Units Per 100 Renter Households	24	51	88
Source: CHAS, 2009-2013			

**CHAPTER 40B SUBSIDIZED HOUSING INVENTORY**

G.L. c. 40B, §§ 20-23 (Chapter 40B) is a state law that went into effect in 1969. Its purpose is to provide for a regionally fair distribution of affordable housing for people with low- to moderate- incomes. Affordable units created under **Chapter 40B** retain their affordability over time, even under strong market conditions, because an affordable housing deed restriction limits resale prices and rents for many years, if not in perpetuity. Another type of affordable housing - generally older, moderately priced dwellings without deed restrictions, and which lack the features and amenities of new, high-end homes - can help to meet housing needs, too, but only if the market allows.

Chapter 40B establishes a statewide goal that at least **10 percent** of housing units in every city and town will be deed restricted affordable housing. Chapter 40B also supersedes zoning and other local regulations that make it too expensive to build low- and moderate-income housing. By consolidating the approval powers of multiple town and city boards, the

state legislature hoped to provide more low-income housing options throughout the Commonwealth. Under Chapter 40B, the Zoning Board of Appeals (ZBA) may approve, conditionally approve, or deny a **comprehensive permit** to qualified developers to build affordable housing.

A comprehensive permit is a unified permit, i.e., a single permit that incorporates all the local approvals required under zoning and other local bylaws and regulations. However, in communities that do not meet the 10 percent minimum, developers may appeal to the state Housing Appeals Committee (HAC). Although comprehensive permits may still be granted after a town achieves the 10 percent minimum, the HAC no longer has authority to overturn a local board’s decision. Because Falmouth is currently below the required Chapter 40B 10 percent affordability requirement, based on DHCD’s records, it is important to highlight the status of the Town’s Subsidized Housing Inventory. Over time, affordability restrictions may near their expiration date and it is important for the City to make informed decisions as to whether or not it wishes to find ways to renew those restrictions.

**Falmouth Subsidized Housing Inventory**

DHCD maintains the **Chapter 40B Subsidized Housing Inventory (SHI)**, the list that determines whether a community meets the 10 percent minimum. The SHI is also used to track expiring use restrictions, i.e. when non-perpetual affordable deed restrictions will lapse. The 10 percent statutory minimum is based on the total number of year-round housing units in the most recent federal census, Census 2010. According the DHCD’s records as of August 23, 2017, (which are based the total number of year-round units in Falmouth per Census 2010), **Falmouth is currently below the 10 percent statutory minimum, as there are 958 units on Falmouth’s SHI, or 6.4 percent.**<sup>4</sup> As seen in Table 10, the clear majority of affordable units listed on Falmouth’s SHI are rental units (almost 90 percent), with only 92 ownership units available to low-to moderate-income individuals.

<b>Table 10. Falmouth SHI Units</b>	
	Units
Rental	856
Ownership	92
Mix	10
<b>Total Affordable Units</b>	<b>958</b>
Total Housing Units	14,870
<b>Percent Subsidized</b>	<b>6.4%</b>
Source: DHCD, 2017	

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<sup>4</sup> Massachusetts Department of Housing and Community Development (DHCD) CH40B Subsidized Housing Inventory, Falmouth, 8/23/2017.

**Term of Affordability**

Table 11 shows the number of SHI units by type and year of expiration, per DHCD’s August 23, 2017 records. Of all the units listed on Falmouth’s SHI, about 48 percent were constructed under comprehensive permits. About 74 percent of the units on Falmouth’s SHI are deed restricted as affordable units in perpetuity, and about 20 percent are scheduled to expire between 2018 and 2040.<sup>5</sup>

**Table 11. Falmouth Subsidized Housing Inventory and Expiring Use Timeline**

Year of Expiration	Mix	Ownership	Rental	Grand Total	% of Total
2018	0	0	33	33	3.4%
2019	0	1	0	1	0.1%
2021	0	0	83	83	8.7%
2027	0	0	20	20	2.1%
2030	0	18	0	18	1.9%
2032	0	4	0	4	0.4%
2037	0	0	3	3	0.3%
2040	0	0	28	28	2.9%
2055	0	0	24	24	2.5%
Perpetuity	10	69	629	708	73.9%
N/A	0	0	36	36	3.8%
Totals	10	92	856	958	100.0%

Source: DHCD, 2017; and RKG Associates, Inc.

**FUTURE HOUSING NEEDS BY TYPE**

The information presented above clearly indicates that there is shortage of affordable housing units in Falmouth, especially for those households whose incomes are below the 50 percent of AMI. While things are somewhat better for households earning up to 80 percent, many are still housing challenged. And with rapidly increasing home prices and rents, it will continue to get worse.

RKG was asked to estimate future housing needs in Falmouth by the type and size of unit – primarily focused on the number of bedrooms. The demographic data clearly shows growth in the 25-34 year old cohort (6.2 percent) and in the 65-74 (14 percent) and the 75 and over (12.4 percent) cohorts, between 2016 and 2021. For owner households, most of this growth is expected to come from higher income households (>\$75,000), with similar trends for renter households. However, some growth among lower income, young households (25-34 years old with income between \$20,000 and \$40,000) is forecast, indicating a need for suitable, price

<sup>5</sup> Massachusetts Department of Housing and Community Development (DHCD) CH40B Subsidized Housing Inventory, Falmouth, 8/23/2017.

appropriate housing for these “starter” households. Since this cohort represents singles and starting family units, the need for studio and 1 bedroom units, and perhaps some 2 bedroom units, is apparent. At this income bracket, this represents rents of \$500 to \$1,000 per month for rental units.

Household sizes in Falmouth are relatively small with nearly 71 percent of households composed of either one (33 percent) or two persons (38 percent). Based on household projections between 2016 and 2021, the largest percent increase can be found in one person households which are expected to grow by 6 percent (290 households). Households of three persons’ account for 13 percent of the total households in Falmouth. This shows that smaller households dominate the market.

Household sizes tend to correspond with the types of housing units that are suitable for each household. Given the nature of the demographic makeup within Falmouth, future housing needs are aligned with greater numbers of one and two bedroom units. Smaller units also tend to be in multifamily structures rather than single-family units which have a greater number of bedrooms; and, have lower price points that reduce the barrier to entry. From a planning and zoning perspective, the data supports the idea of accessory units or the conversion of large single family houses to two or more units. It also supports the need for compact development where smaller units can be more economically developed, ideally in locations that are easily accessible to employment opportunities and retail services.

