



## INTRODUCTION

There are over 1,250 homes in Hallowell, of a variety of types, sizes and prices. Approximately two-thirds of those units are owner-occupied, while the other third are rentals. The City's housing market is largely driven by the private sector, as there are only a few units regulated with respect to income levels of tenants and rents charged.

While Hallowell does not have an overall housing affordability challenge at the level of some larger communities, there are some disparities between what units exist and what some residents can afford. These challenges are best addressed early, through thoughtful and incremental actions that involve partnerships with the state, non-profits and other partners.

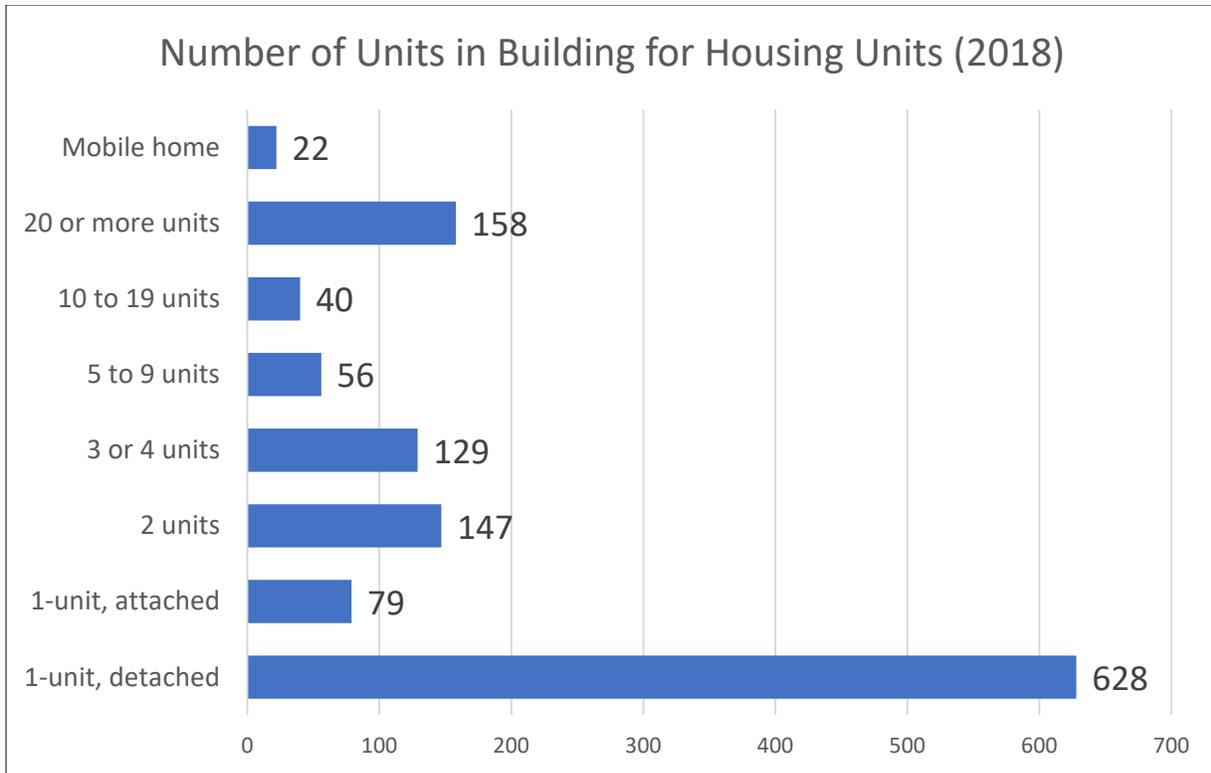
## CURRENT HOUSING STOCK

The most common housing type in Hallowell is an owner-occupied single-family home. That's not unusual in Kennebec County or Maine as a whole. However, a variety of housing types exist in the City, reflecting the historic built environment as well as land use regulations that do not restrict housing types as much as in

some other communities. Almost exactly half of all housing in the City consists of detached single-family homes, of which most are owner-occupied.

As with other communities in Maine, where municipal services are highly dependent on property taxes, the median tax bill has increased in the past 10 years. This is primarily because municipal operations are highly labor-dependent, and the cost of labor increases every year. As a result, in the absence of other significant funding sources, property taxes will increase. From 2010 to 2018, the estimated median tax bill in Hallowell increased by 6.2% annually. While this rate seems high, it's within the typical range of property tax rate increases in the state. It is consistent with the increased cost of labor (including health insurance, benefits, and post-employment benefits) in the public sector during that time period.

In addition to single family detached homes, Hallowell's housing includes significant numbers of attached single family homes, as well as two-, three- and four-family buildings. In addition, about one-eighth of the units in the City are in larger buildings of 20 units or more.



Year	Median House Value	Median Tax Bill
2010	\$182,700	\$2,740.50
2014	\$206,400	\$3,675.98
2018	\$193,200	\$4,115.16

*Sources: U.S. Census, State of Maine, & City of Hallowell*

### SEASONAL HOMES

As with many Maine communities, Hallowell has some seasonal homes. However, based on self-identification, that number is lower than many communities. Only 2.1% of the homes in the City, or 27, were identified as seasonal, recreational, or “occasional use” homes in 2018. However, 12.7% of the homes in Hallowell, or 160, were identified as vacant. It is likely that many of the 133 homes identified as “vacant” but not for seasonal, recreational, or “occasional use,” also function as summer or seasonal homes.

The number of vacant, potentially seasonal, homes in Hallowell does not appear to have increased or decreased significantly since 2010. They are present in the community, but the City of Hallowell is primarily a year-round community, and has been for some time.

	2010		2018	
<b>Total housing units</b>	1,339		1,259	
<b>Occupied housing units</b>	1,168	87.2%	1,099	87.3%
<b>Vacant housing units</b>	171	12.8%	160	12.7%
<b>For seasonal, recreational, or occasional use</b>	38	2.8%	27	2.1%
<i>Seasonal, recreational or occasional use units are also listed as vacant</i>				

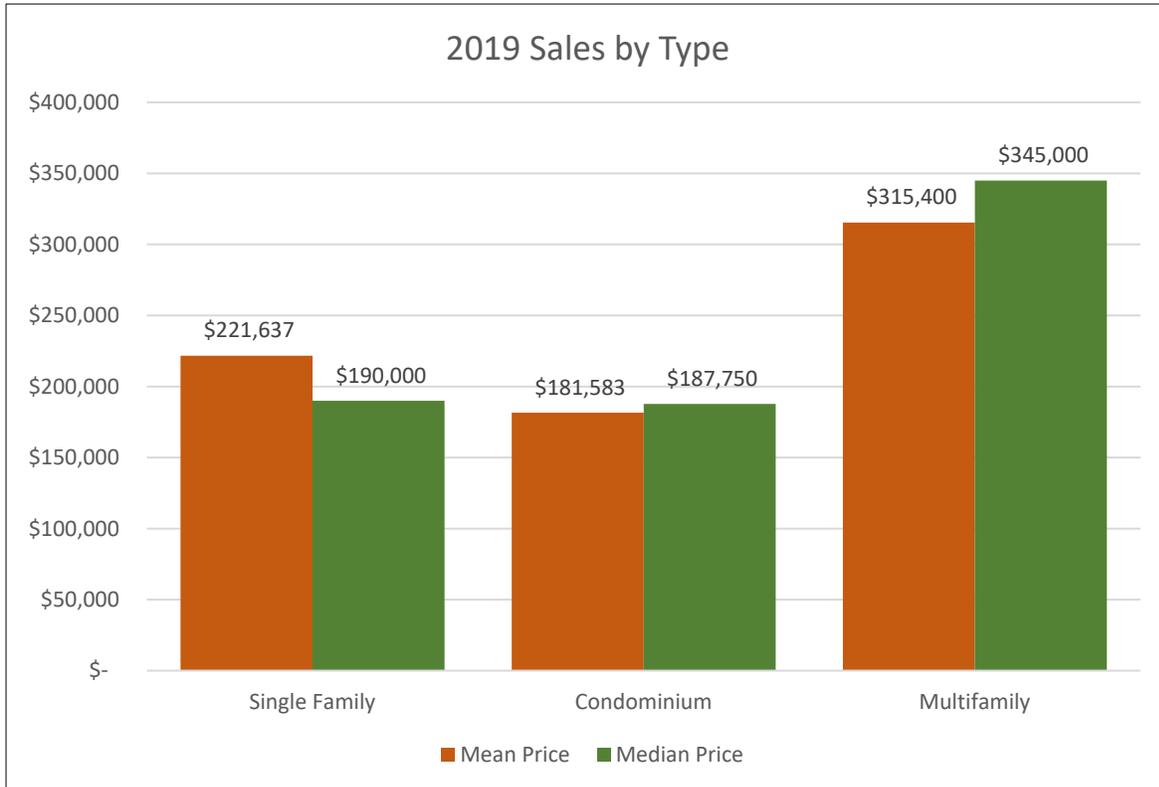
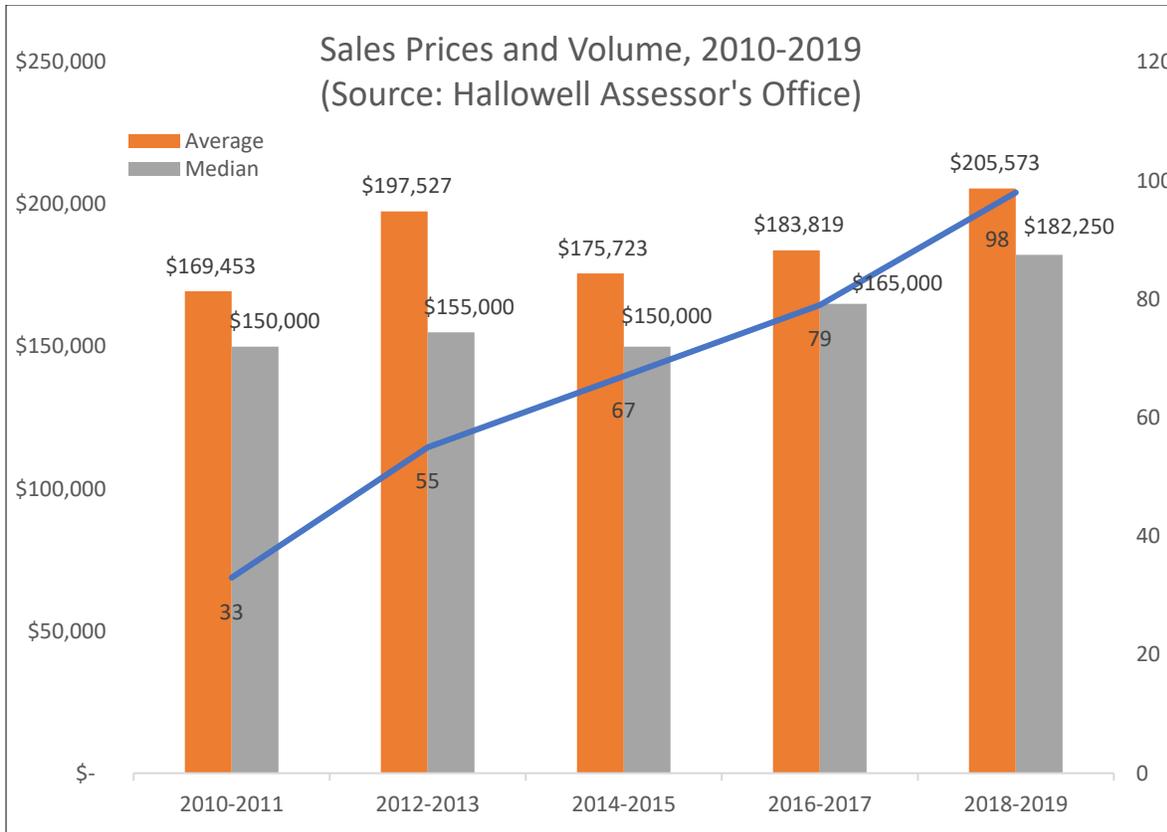
## HOUSING SALES

Hallowell has followed the trend of many popular housing markets in the past 10 years. Between the two-year periods 2010-2011 and 2018-2019, median housing sales prices on the whole have increased 21.5%. In the same period, sales volumes have increased sharply by 196%. While Hallowell has generally been a popular place to purchase a home, that popularity has clearly continued and increased in the last decade.

Looking more closely at sales of different types of homes tells a similar story in 2019. While most sales have been single-family homes, condominiums and multi-family housing continues to be sold for reasonable prices. Condominium sales are an interesting piece of this puzzle. Unlike in some other markets, they are not selling for significantly different prices than single-family homes. The mean sales prices are somewhat lower, due to some very high-end single-family home sales, but the median prices are almost the same. Multifamily homes are selling for more than either condominiums or single-family homes, but that is typical of a popular market where it is not especially difficult to rent units.

Another indication of the strength of the Hallowell housing market is the time it takes to sell a home. Condominiums sold the most quickly in 2019, with a median number of days on market time of 12.5 days and a mean days on market of 12.7 days. Single-family homes sold fairly quickly as well, with a median 22 days on market and an average day on market of 40.6. Overall, homes in Hallowell stayed on the market for a median of 15 days and a mean of 36.9 days. The disparity between medians and means for non-condominium buildings represents some single-family homes that took a long time to sell.

Note that this data does not include buildings that have not yet sold. It's very difficult to get accurate data for buildings that 'linger' on the housing market, as they are often taken off the market for short period of time to reduce the impression that they are hard to sell. However, there is some anecdotal evidence that, like many communities, there have been some hard-to-sell buildings. Whether that difficulty selling is due to issues with the building, the owner, or the economics of the particular parcel, is difficult to determine without additional study.



(Source: Vitalius Real Estate Group)

## QUALITY OF HOUSING STOCK

The overall quality of Hallowell’s housing stock is good. As of 2018, there were no occupied units that lacked plumbing facilities, and only nine units lacking complete kitchens. The 36 units lacking telephone service are not indicative of any overall deficiency in housing quality, especially because the concept of ‘cord-cutting’ is becoming more popular, suggesting that at least some of those household relied on cellular phone rather than land lines.

In the Land Use section of this document, assessor’s data showed the approximate breakdown of construction dates going back to the 18<sup>th</sup> century. That data had some weaknesses but provided an overall sense of the historic quality of much of the City’s housing units. The U.S. Census provides a somewhat more reliable year of construction for housing units in Hallowell, listed below. However, this data only goes back to 1939.

Almost 42% the housing units in the City were constructed prior to 1940. Of the remaining units, 44% were constructed after 1970, at a

somewhat constant rate with the exception of the 1990’s. In brief, which there are significant numbers of historic or older homes in Hallowell, the housing stock on the whole is not unusually old for New England. On the other hand, by national standards the housing stock is old.

<b>Occupied housing units</b>	<b>1,099</b>
<b>Lacking complete plumbing facilities</b>	0
<b>Lacking complete kitchen facilities</b>	9
<b>No telephone service available</b>	36

<b>Year of Construction</b>	
<b>Built 2000 to 2009</b>	146
<b>Built 1990 to 1999</b>	78
<b>Built 1980 to 1989</b>	142
<b>Built 1970 to 1979</b>	188
<b>Built 1960 to 1969</b>	87
<b>Built 1950 to 1959</b>	69
<b>Built 1940 to 1949</b>	27
<b>Built 1939 or earlier</b>	522
<b>Total housing units</b>	1,259

## HOUSING AFFORDABILITY

Can Hallowell residents and potential residents afford to live in the City? While the housing stock seems to generally be in good shape, and sales seem solid, affordability remains an issue in some segments of the population. In fact, strong sales prices, while generally a positive indicator for the City, indicate an affordability challenge.

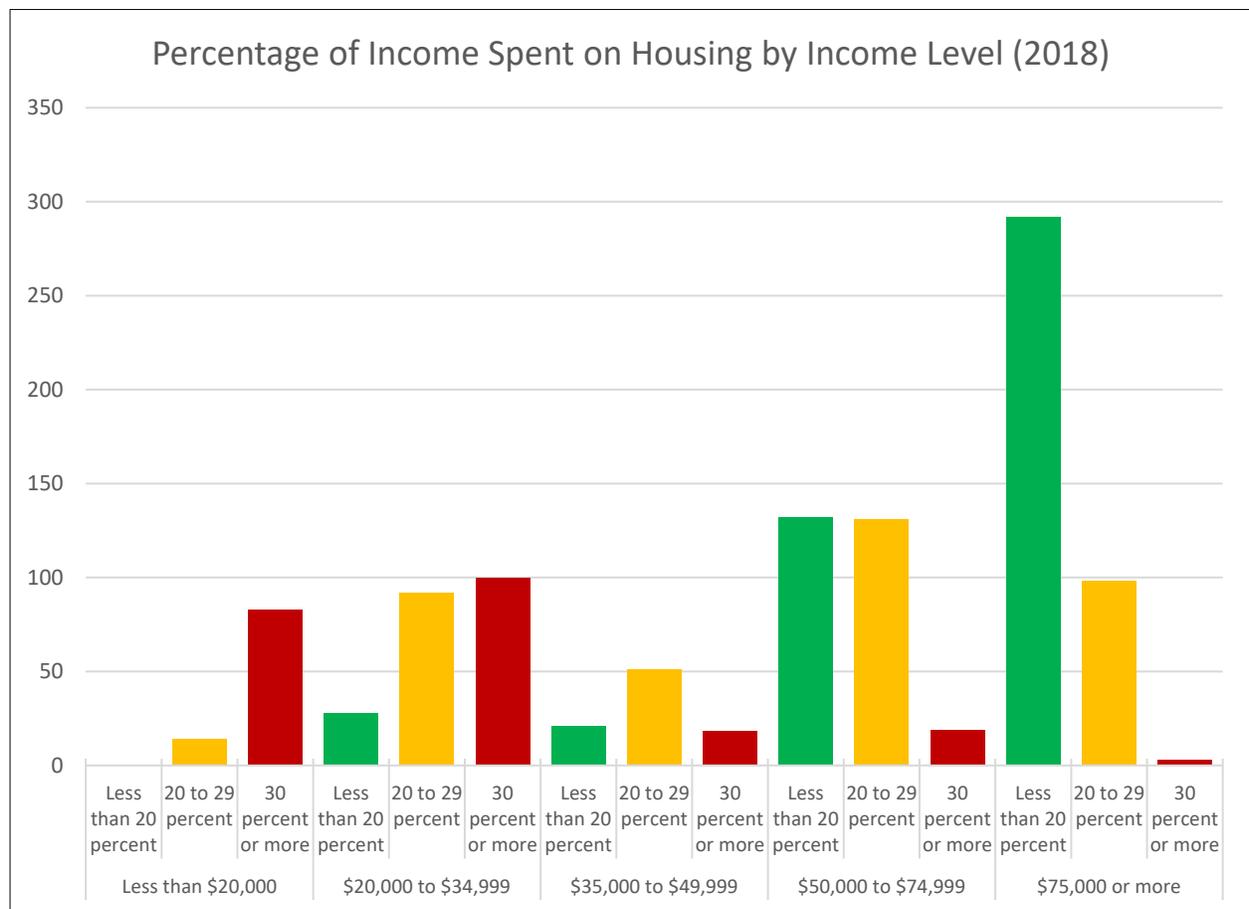
“Affordable housing” is often confused with low-income housing, because it is often used as a short-hand way of saying “housing that is affordable to low-income households.” In fact, what is considered affordable depends on a household’s income.

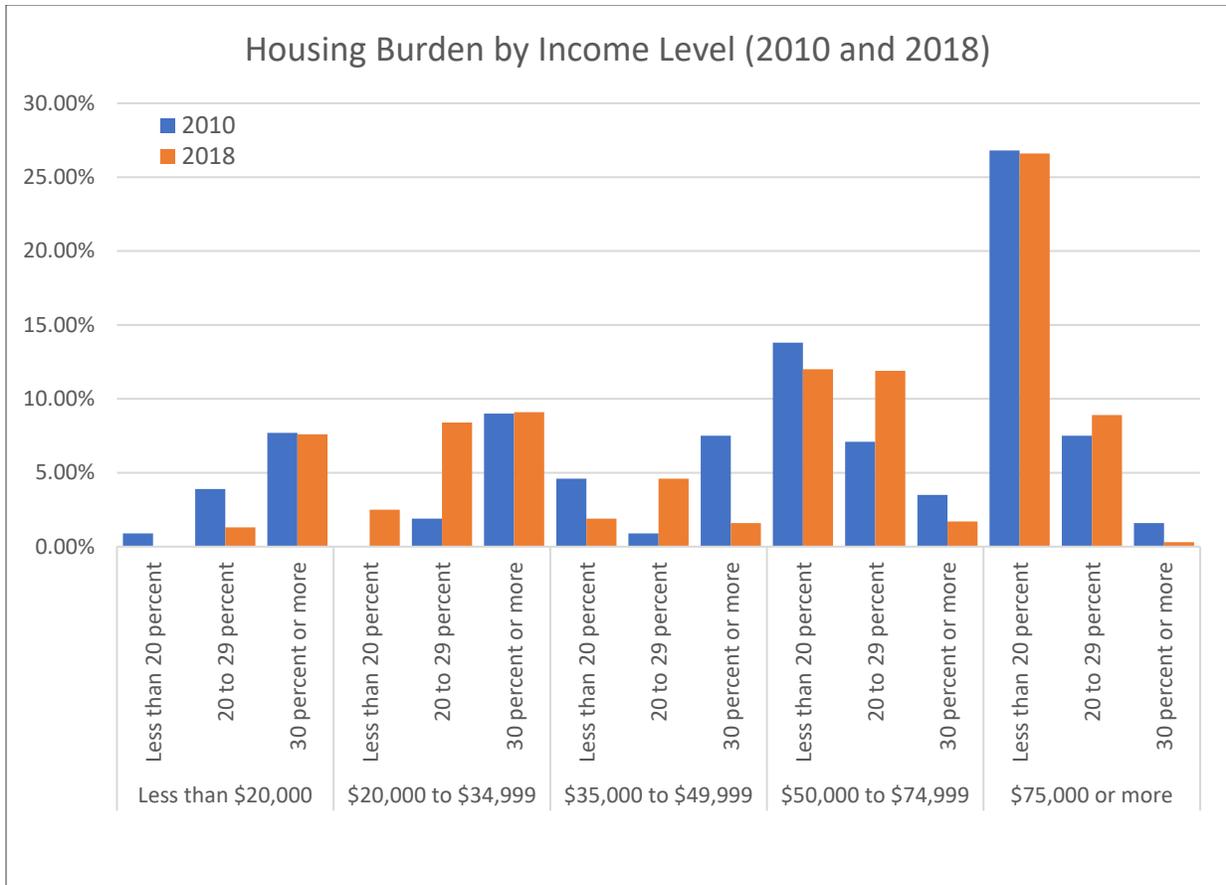
In general, housing is considered affordable to a particular household if its overall cost of housing is at or below 30% of its overall income. If the unit is owner-occupied, that would mean that the household’s mortgage, insurance, taxes, utilities, and other housing-related expenses. If the unit is a rental, that

would mean that the household’s rent, utilities and other housing-related expenses are at that level. For condominiums, the association’s fees and special assessments would be included in this amount.

In general, the number of units that are affordable by this definition decreases as household income decreases. As seen below, household making under \$35,000 a year are far less likely to be living in a unit they can afford than those above that level.

This affordability profile has not changed significantly since 2010. However, the cost of housing for households in the \$35,000 to \$75,000 income ranges has increased between 2010 and 2018. While their costs have not gone above that 30% level, the trend is worth watching in the next few years to ensure that these households do not face the challenges faced by those in lower income brackets.





What household are considered “low-income” depends on the median household incomes in the area. For the Kennebec County area, where detailed data is collected by the federal government, income limit categories are created based on household sizes and median incomes. The median income in this area is \$77,770 in 2020. Categories of “low-income” and “very low-income” are set based on 80% and 50% of that median income level.

While these numbers vary based on household size, for a typical household of four people, this approach means that “low-income” household are making less than \$60,300 in Hallowell, and “very low-income” households are making less than \$37,700 annually. Based on these figures, and the data described above, it seems that the affordability challenge in Hallowell is primarily with very low-income households.

Note that this methodology does not generally factor in assets that a household may have. A household may have very little employment income but assets that it can draw on for housing or other expenses. However, because the income earned off those assets is considered part of a household’s income, they are partially accounted for. In addition, very few of these low-income or very low-income households have significant assets to draw on.

FY 2020 Income Limit Category	Persons in Family							
	1	2	3	4	5	6	7	8
<b>Very Low (50%) Income Limits (\$)</b>	26,400	30,200	33,950	<b>37,700</b>	40,750	43,750	46,750	49,800
<b>Low (80%) Income Limits (\$)</b>	42,250	48,250	54,300	<b>60,300</b>	65,150	69,950	74,800	79,600
<b>Kennebec County Median Income: \$77,700</b>								
<b>Source:</b>	<a href="https://www.huduser.gov/portal/datasets/il/il2020/2020summary.odn">https://www.huduser.gov/portal/datasets/il/il2020/2020summary.odn</a>							
	FY 2020 Income Limits Documentation System							

### HOME OWNERSHIP AFFORDABILITY

Homes in Hallowell are almost affordable to the median income household in the City- but not quite. MaineHousing conducts an annual analysis of housing sales data and median household incomes by community. They take that data and create a “housing affordability index” that compares the sale price that would be affordable to the median household with the median sales price.

In Hallowell, their 2019 index in 0.98. That means that the median income is just below the income needed to afford the median priced home in the City. While this is not a bad figure, it does indicate some affordability pressures in the home ownership market. As indicated in the other table below, 58.5% of the homes in Hallowell remain unaffordable to the median household.

The City’s index is better than the state’s overall Housing Affordability Index of 0.90. On the other hand, it’s worse than the Augusta market’s overall index of 1.12. In brief,

Hallowell is more affordable than some parts of Maine but is one of the less affordable parts of the Augusta region. Nearby communities like Augusta remain more affordable, but others, such as Farmingdale, do not. Similarly, a higher percentage of homes in Maine are not affordable to those making the median income, but a lower percentage are not affordable in the regional market.

Looking at the data one more way, 51% of the households in Hallowell are unable to afford the median income home. Again, this is under the comparable figure for the state as a whole (62.2%) but above the figure for the region (45.4%).

In general, Hallowell has some affordability challenges, especially in the regional market as a whole, but is faring better than other parts of the state. Overall, the market would have to adjust to have approximately 205 of the 1259 housing units in Hallowell be affordable to the median income household to address these shortfalls.

Homeownership Affordability Index (MaineHousing 2019)						
	Year	Median Home Index Price	Median Home Price	Median Income	Income Needed to Afford Median Home Price	Home Price Affordable to Median Income
<b>Maine</b>	2015	1.03	\$176,000	\$50,703	\$49,352	\$180,816
	2016	0.97	\$184,000	\$50,990	\$52,545	\$178,552
	2017	0.93	\$197,000	\$53,190	\$57,089	\$183,546
	2018	0.89	\$212,500	\$56,987	\$64,367	\$188,138
	2019	0.9	\$225,000	\$59,575	\$66,044	\$202,959
<b>Augusta Micropolitan Housing Market</b>	2015	1.33	\$139,000	\$51,655	\$38,903	\$184,563
	2016	1.19	\$145,000	\$48,978	\$41,224	\$172,276
	2017	1.15	\$156,900	\$52,087	\$45,406	\$179,985
	2018	1.08	\$172,000	\$56,213	\$52,086	\$185,630
	2019	1.12	\$182,400	\$60,004	\$53,591	\$204,228
<b>Gardiner</b>	2019	1.09	\$160,000	\$55,027	\$50,506	\$174,332
<b>Augusta</b>	2019	1.04	\$147,000	\$47,800	\$45,853	\$153,243
<b>Hallowell</b>	2019	0.98	\$190,000	\$56,912	\$58,330	\$185,381
<b>Farmingdale</b>	2019	0.85	\$175,500	\$44,290	\$52,245	\$148,777

Homes Not Affordable to a Median Income Household	
Location	Percentage of Unattainable Homes
Farmingdale	70.6%
<b>Hallowell</b>	<b>58.5%</b>
Augusta	43.6%
Gardiner	34.3%
<b>Augusta Housing Market</b>	<b>41.8%</b>
<b>Maine</b>	<b>56.3%</b>

Households Unable to Afford Median Home		
Location	Percent	Number
Farmingdale	56.0%	708
<b>Hallowell</b>	<b>51.0%</b>	<b>621</b>
Augusta	48.2%	4,193
Gardiner	45.8%	1,110
<b>Augusta Housing Market</b>	<b>45.4%</b>	<b>16,873</b>
<b>Maine</b>	<b>62.2%</b>	<b>354,985</b>

## RENTAL HOUSING AFFORDABILITY

Approximately one third of Hallowell residents rent. Of the 457 rental households in the City, 167 of them, or 36.5%, pay rents that are above what would be considered affordable for their incomes.

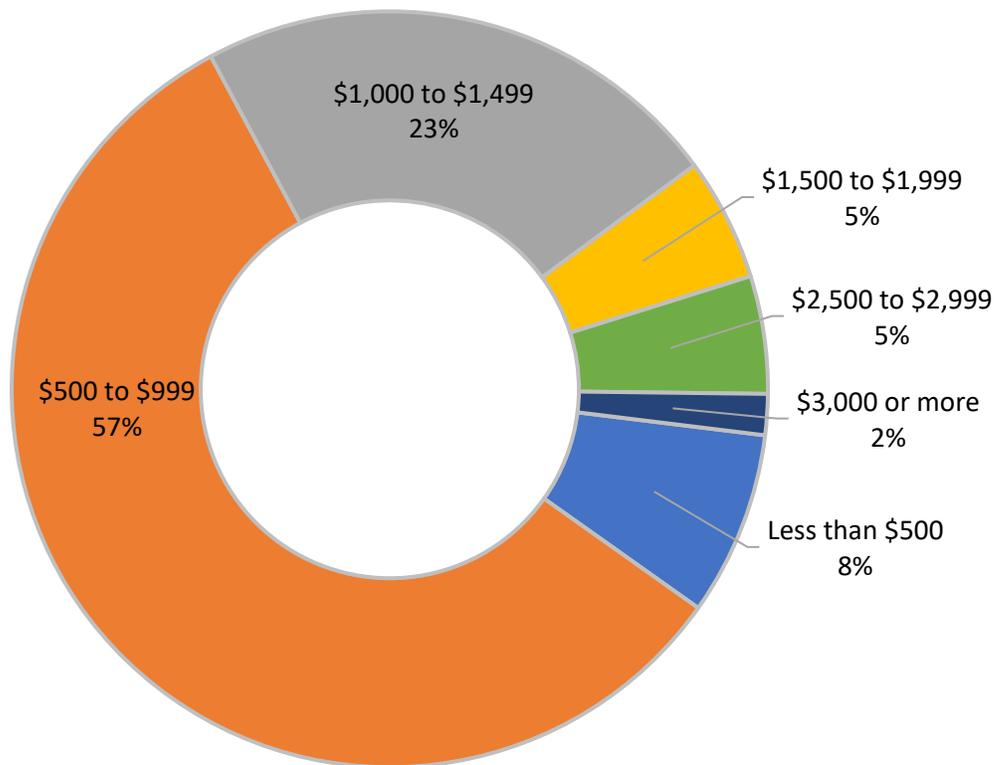
This is likely due to a combination of factors, but in general rental households have lower incomes than households that own their homes. While some rent for convenience, many rent because they are unable to afford to own.

Median rents and rent distributions in Hallowell are not unusual. The median rent of \$865 is not

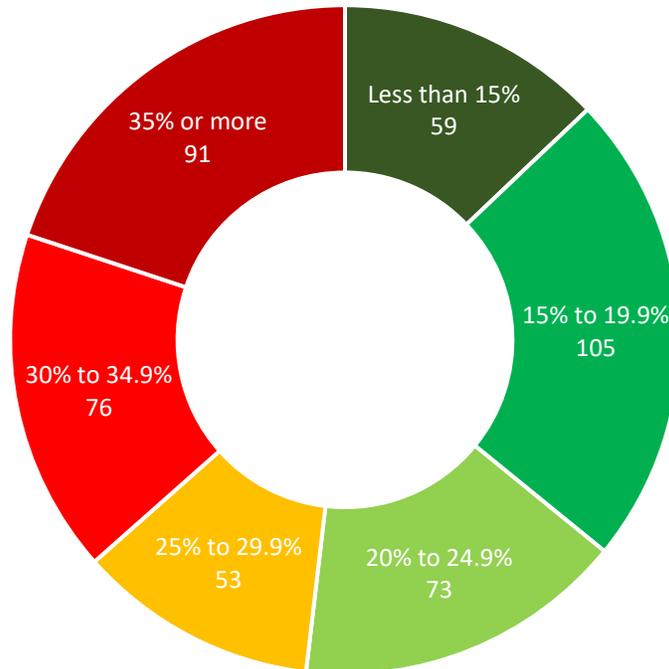
generally excessive. However, it is still above what many rental households can afford.

The rental market is in some ways easier to address than the home ownership market. State and federal programs exist to fund low-income affordable rental housing. There are very limited programs for affordable low-income home ownership. In addition, home ownership at low incomes needs to be paired with support programs to ensure that those households continue to be able to sustain the obligations of ownership, such as sudden, significant repairs.

Estimated Rents Paid in Hallowell, 2018 (Median Rent: \$865)



## Estimated Rent as a Percentage of Income, 2018



### AFFORDABLE HOUSING DEVELOPMENT

One response to the challenge of home affordability is the creation of housing that is designed to be affordable at certain income levels. Federal and state programs, such as the federal HOME program and the Low-Income Housing Tax Credit program administered by MaineHousing, provide funding for construction of low-income affordable housing.

There are developers who specialize in the production of such development as well. They generally have to have the ability to handle a complicated financing arrangement that includes sources with regulatory requirements.

Generally, in return for received state or federal sources of funding, the developer agrees to limit the rents they collect from tenants to levels that are affordable to low-income households. They further agree to rent to households at or below those income levels.

Some programs limit tenant incomes and commensurate rents at 80% of area median income, others at 50% or 60% of area median income. Some programs, such as the Affordable Housing Tax Increment Finance districts that municipalities can create, allow for higher income levels.

Currently there is one housing development in Hallowell that is income restricted. The Cotton Mill development at 2 Academy Street consists of 57 apartments for the elderly, of which 44 are one-bedroom units and 13 are two-bedroom units. Developed in 1978, the funding for the development required that the apartments remain affordable until 2030. The City should start thinking in the next few years of ways to extend that affordability, most likely in partnership with MaineHousing.

More recently, as part of Stevens Commons project, the non-profit Community Housing of

Maine is developing a 29 unit building that will be affordable to low-income renters. The 29 units include 8 efficiencies and 21 one-bedroom units, and are expected to be complete in 2020. This project is funded by a variety of sources,

including 4% Low-Income Housing Tax Credits from MaineHousing, an Affordable Housing Tax Increment Finance agreement with the City, and a grant from the Federal Home Loan Bank of Boston.



(Photo Credit: Community Housing of Maine)

## LOCAL HOUSING REGULATIONS

Housing production in Hallowell is impacted by local codes, including zoning, subdivision, and building codes. Chapter 9 of the City's Code of Ordinances outlines zoning and subdivision requirements in the City. Chapter 9 generally allows duplex development throughout the City, even in the lowest density zones. However, larger parcels are generally required for duplexes, reducing the utility of that allowance for housing production. Chapter 9 also limits developments of more than two units by requiring a conditional use permit in many zones.

While these restrictions may limit housing development to some extent, it does not appear that demand for housing is significantly

limited by local zoning or subdivision code. There are areas of the City that permit multifamily housing, such as the Stevens Commons site and zones closer to downtown, that are not currently built out.

The City has an historic district generally centered on downtown Hallowell. That district functions as a typical Local Historic District, with the exception that the Planning Board, rather than a separate Historic Preservation Board, serves as the reviewing authority. Requirements for new construction in the historic district overlay may limit housing production to some extent. In particular, Section 9-558.1.A. states that:

*“Every reasonable effort shall be made to provide a compatible use for a property which requires minimal alteration of the building, structure, or site and its environment, or to use a property for its originally intended purpose.”*

This is listed as a “general recommendation” rather than a requirement. However, paired with other requirements that discourage changes to the visual landscape, it likely reduces the ability to convert large, existing single-

family homes into multi-family homes, as well as new infill housing development on existing lots.

Hallowell’s building code is based on Maine’s Uniform Building and Energy Code (MUBEC.) While building code creates challenges for housing production, these are state-wide challenges that can’t be addressed at the local level.

## ANALYSIS AND ISSUES FOR FURTHER STUDY

- ✓ Should the City become more proactive in promoting development of housing affordable to low-income and/or median income residents? If so, what programs and policies should it pursue?
- ✓ How can City land use regulations be adjusted to better promote the housing needs of the City? Are the requirements in the Historic District and in the City's zoning restricting or enabling development of housing in Hallowell?
- ✓ The 2010 Plan had a number of recommendations related to housing. Are those still relevant and should they guide City planning in the 2020's?

## Housing Demand

Based on the projected population and demographics changes in the next ten years, and the housing cost burdens in the existing housing stock, the following housing demands are expected in the next 10 years:

- ✓ There is ***not expected to be significant demand for additional market rate housing;***
- ✓ However, there is demand for ***up to 205 housing units that would be affordable to median-income households;***
- ✓ In addition, there is need for up to ***167 affordable rental units*** to address excessive housing costs for rental households. Those units would be at a range of rents, but below the current rents in the City. At the current median rental household income of \$43,750, rents of these units should be below \$1090 per month.