HOUSING ON CAPE COD

The High Cost of Doing Nothing

Housing Assistance Corporation Cape Cod
What impacts one segment of the housing market affects the rest. Lack of housing inventory for middle-income renters means that they compete with low-income renters for the limited housing available. Lack of housing impacts the economic competitiveness of the region, the availability and price of goods and services, as well as quality of life.
At Housing Assistance Corporation (HAC) we have been on the frontlines of providing affordable housing since 1974 and our challenges have never been greater. The supply of year-round housing is shrinking. It is impacting families, businesses, and municipalities and is a threat to the health of our economy and the very character of Cape Cod.

The reasons behind this crisis are simple. Since Cape Cod is a desirable location to live and vacation, non-residents and investors are increasingly buying existing year-round properties and converting them into short-term rentals or keeping them for their own occasional use. The stock of year-round housing is rapidly depleting and therefore, prices are out of reach for many Cape Cod residents.

As the regional housing agency, we decided to take a step back and analyze the internal and external causes of Cape Cod’s housing shortage, its impact and possible solutions. We started with two simple questions—what would happen if we did nothing? What more can we do?

For this report, we relied on the analysis of numerous sources. We interviewed business and community leaders about the effects of the housing crunch. The research and conversations shaped our thinking and recommended strategies. For example, in addition to developing affordable housing units, HAC is now investing in the development of market-rate units that will help alleviate the housing shortage. More year-round housing will change the supply dynamic in the marketplace and add more options for all income groups. Additionally, with this report, HAC will launch Rent 365, a pilot program that encourages homeowners to convert their seasonal or vacation rentals into year-round housing.

This is a challenging time for our region. Low-income families will suffer first and most acutely if we do nothing, but they are not alone; the broader community will be impacted. Uniting and undertaking purposeful strategies that mitigate and address our housing crisis will be of great benefit to our region. If we keep approaching housing in our region with the same old strategies, we will only continue to feed the worsening and self-perpetuating housing shortage for year-round residents.

Let’s try some new ideas.

We welcome your thoughts and suggestions on how we can meet this challenge. Please visit capehousing.org to share your feedback.

Sincerely,

Alisa Magnotta Galazzi
Chief Executive Officer
Housing Assistance Corporation

Mark Forest
Chairman, Board of Directors
Housing Assistance Corporation

SPECIAL THANKS TO:

Terri Ahern
Senior Vice President of Strategy & Government Affairs of Cape Cod Healthcare

John Allen
President of John F. Kennedy Hyannis Museum

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CEO of Cape Cod Young Professionals (CCYP)

Christina Bologna
Marketing Officer at The Cooperative Bank of Cape Cod

John Bologna
President/CEO of Coastal Engineering Company, Inc.

Glenn Cannon
Professional Engineer with 25 years in transportation

Ryan Castle
CEO at Cape Cod & Islands Association of Realtors & MLS

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Tony Shepley
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Bert Talerman
First Executive Vice President of Cape Cod 5

Raymond V. Tamasi
President & Founder of the Gosnold Innovation Center

Bill Zammer
Owner of Cape Cod Restaurants Group

And the many real estate agents, housing developers, property managers, homeowners, and others who provided valuable insights into Cape Cod’s unique housing market and economy.
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INTRODUCTION

Finding adequate and attainable housing on Cape Cod has long been a challenge for the year-round population. The situation has become even more dire in recent years. The housing supply problem is not limited to low-income renters; it crosses socio-economic boundaries. Recently, Housing Assistance Corporation (HAC) staff have noticed an alarming uptick in the number of year-round renters from all income levels who are unable to find or afford housing; in addition, many renters are facing displacement due to their landlord’s decision to sell. Model tenants, who work good-paying, full-time jobs and never miss a rent payment are now unable to find a reasonably priced rental in today’s market.

Despite the prevailing belief that wages and availability of good jobs are behind the region’s difficulties in recruiting and retaining staff, several recent studies point out that the significant shortage of year-round housing on Cape Cod is at the core of the problem. Excessive housing costs are driving the local workforce away. Without a stable local workforce, regional businesses cannot thrive and the costs of providing goods and services will increase for everyone. This report identifies multiple factors creating this critical housing shortage and recommends a multi-faceted approach to ensuring adequate housing as the essential foundation for community and economic stability.

No one can deny the benefits that come with a booming travel and tourism economy: visitors contribute to the region’s gross domestic product (GDP), creating jobs, “providing direct tax benefits to their host towns, typically with fewer expectations and demands on municipal service” and raising property values. ¹ Nevertheless, the seasonal spikes and the continual need to replace front-line employees as they move up the career ladder leads to wages that do not sustain year-round housing. The corresponding higher property values contribute to lack of housing at an attainable price and the flight of young adults and families away from Cape Cod. Coupled with outdated zoning regulations, this seasonality has resulted in a year-round workforce that is often unable to compete in the housing market with second homebuyers who are statistically wealthier than locals.

Cape Cod faces a tipping point. The housing crisis is already beginning to impact the economy as employers in all sectors struggle to find sufficient numbers of employees. Left alone, it will cause shifts in the economy and impact the region’s competitiveness. As businesses are forced to pay more for workers from over the bridges, the cost of everyday goods and services will go up. The things that make Cape Cod a community will begin to fall away. The cost of doing nothing is too great.

¹ Ramachandran, “Housing the Cape’s Workforce: More Year Round Rentals for a Stronger Economy.”
Seniors and the Lower Cape will be most impacted by the shifting workforce. The nature of healthcare for seniors requires a locally-based workforce. Certified Nursing Assistants (CNAs) and other healthcare workers will not drive long distances for short shifts and low wages when the same work opportunities are available in their own community.

As year-round workers leave Cape Cod, there will be less of a consumer base to support year-round businesses. Some businesses may choose to close. Others may open only in the summer, creating a lack of consumer choice for both tourists and residents.

But it’s not too late, nor is the situation out of local hands. However, it will take cooperation between organizations, industries, and towns. Short-term solutions are essential, but should not be substituted for long-term systemic changes. Remediating Cape Cod’s housing shortage requires pushing multiple levers at the same time, beginning with the concrete policies outlined in this report. Along with traditional subsidized affordable housing programs, recommendations include:

1. Creating innovative programs to incentivize seasonal homeowners to rent year-round.
2. Passing better Accessory Dwelling Unit (ADU) zoning bylaws.
3. Revising outdated zoning regulations to provide both higher density in village centers and a greater diversity of housing stock across Cape Cod.
4. Building regional capacity for action on housing issues by educating decision makers about the housing market and the need for increased supply at all income levels.

These efforts are not only necessary, they are attainable. If action is taken now, it will stem the tide of the housing crisis and help create a healthier, more stable year-round economy. While this report outlines the cost of doing nothing, it also offers a brighter, healthier picture for the future of Cape Cod. Using data, economics, and common sense, we envision a Cape Cod with a positive growth cycle that produces more year-round professional jobs, which in turn creates more demand for other good-paying positions. It presents a future that balances the need for a thriving year-round economy without sacrificing the beauty, history, culture, and seasonality that makes Cape Cod such a special place.
THE NATURE OF THE HOUSING SHORTAGE

While many decision makers are aware Cape Cod is experiencing a housing shortage, the ability to employ effective solutions is dependent upon a firm grasp of the causes. The housing shortage is created by three main factors, brought about by Cape Cod’s desirability as a place to live and visit as well as the need to preserve it:

1. Second homeowners with greater purchasing power than locals
2. The strength of the short-term rental market, compounded by the advent of Airbnb-type transactions
3. Overly restrictive zoning, which emphasizes restrictive use and minimum lot size

The result is:

1. An unhealthy rental market with prices out of reach even for professionals earning above average salaries
2. An inefficient market where people rent or own the wrong size or style home for their needs because of a lack of options
3. An oversupply of short-term rentals due to investors and second homeowners intending to make money on the seasonal market

SNAPSHOT OF THE RENTAL MARKET

“We are continuously hearing from CCYP members and partners that finding housing is one of their biggest challenges to living and working successfully on Cape Cod. Whether it’s a young professional looking for rental housing, or an employer looking to attract a hire for a vacant position, the high cost and low availability of rentals presents a very serious barrier to building and sustaining our year-round workforce.” — Lauren Barker, CEO of Cape Cod Young Professionals (CCYP)

Cape Cod has a well-documented rental housing supply shortage. For example, the Town of Barnstable has a rental vacancy rate of only 1 percent. A healthy housing market should have vacancy rates of at least 7 percent. This means that there are very few rentals available to the year-round workforce, which pushes rental prices up. According to a 2017 analysis conducted by the Cape Cod Commission, the region currently has an affordable rental housing gap of 4,441 units.

Many three-bedroom homes on Cape Cod are renting for $1,600 to $2,500 per month in the current market. Over the past year, HAC staff have compiled online rental listings from a variety of sources to better understand the current market conditions.

When people pay over 30% of their income towards rent, a commonly used metric for housing affordability, their ability to save for a down payment on a home of their own is diminished. Furthermore, the dollars available to expend in the local economy are eaten up by housing. For young professionals returning from college, student loan debt can compound the problem even further. Given the high costs of rental housing and challenge of achieving homeownership, it’s no surprise that Cape Cod has trouble attracting and retaining young professionals. The result is a workforce less tied to their home community and not invested in its future.
The market also impacts older renters. One executive director of a Cape Cod nonprofit who is close to retirement said, “I knew anecdotally finding a year-round rental is hard, but it wasn’t until I experienced it first-hand that I saw just how acute it is.” In between downsizing from the house that they built when he moved to the Cape and determining where they’ll locate next, he and his wife attempted to find a rental home of 2,000 square feet or less. “I wouldn’t wish our experience on anyone,” he said, explaining they looked for three months, which they felt was longer than the average renter. “Few people were interested in renting year-round during the time when seasonal rentals are actively sought. Further, some of those properties we did see were either unsatisfactory in quality and/or were extremely high in price (some well over $3,000/mo). It was a stressful, frustrating process for both of us and I can’t imagine how a young family with some level of debt, including student loans, could find an affordable home.”

### A Housing Story: The Cape Cod Housing Shuffle

For many Cape Cod residents, constantly moving from rental to rental is a fact of life. This is especially true for young professionals trying to establish themselves here. As part of this report, we spoke with Christina Bologna, Marketing Officer at The Cooperative Bank of Cape Cod, who shared her housing story with us:

“Between the years of 2006-2009, I moved five times. For someone starting a career right after college, moving that much was an emotional, mental, physical, and financial stress. All the moves were directly related to the difficulty of finding year-round housing on an entry-level budget. Most of the stock available for my income were winter rentals or I was left with sharing rent between one or two housemates.

More than a decade into my career, the struggle to find adequate housing is still difficult. For a single person or a couple, we don’t need 2- and 3-bedroom houses; however, finding a safe and well-kept apartment takes a lot of patience, and usually knowing someone who has a friend with a widowed aunt who has a cottage on her property.

Housing for the newer generations looks different than it has before. We crave community spaces, access to downtown areas, and the option to engage with neighbors in common areas. I have a great professional job with additional income on the side, but when I factor in student loans and other debt, the cost for home maintenance, and the current market price, buying a house becomes unattainable and unappealing. I don’t want to buy with the options I currently have, but I don’t want to waste my money by renting in perpetuity. If I’m ever going to buy on the Cape, I need it to be something smaller and easier to maintain.”

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5 Anonymous to Coxe, October 8, 2018

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**Current Cape Cod Year-Round Rental Pricing**

<table>
<thead>
<tr>
<th>Apartment Type</th>
<th>Average Rent</th>
<th>Range</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Room (House Share)</td>
<td>$705</td>
<td>$500 - $1,000</td>
<td>19</td>
</tr>
<tr>
<td>Studio</td>
<td>$956</td>
<td>$800 - $1,200</td>
<td>8</td>
</tr>
<tr>
<td>1BR</td>
<td>$1,296</td>
<td>$800 - $1,895</td>
<td>39</td>
</tr>
<tr>
<td>2BR</td>
<td>$1,600</td>
<td>$1,200 - $2,200</td>
<td>49</td>
</tr>
<tr>
<td>3BR</td>
<td>$1,875</td>
<td>$1,600 - $2,500</td>
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<tr>
<td>4BR</td>
<td>$2,460</td>
<td>$2,000 - $3,000</td>
<td>5</td>
</tr>
</tbody>
</table>

**FIGURE 1**

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**WWW.CAPEHOUSING.ORG**
LACK OF CHOICE LEADS TO MARKET INEFFICIENCY AND EXACERBATES THE PROBLEM

“Diverse housing options are critical to the Cape's long-term viability. There's a clearly documented demand in the marketplace for different types of housing, yet we've grown in an un-diverse manner. Limited housing choice and supply drives up costs. That affects those on the lower end of the scale more than those on the higher end of the scale.”—Mark Forest, Former Chief of Staff, Congressman Bill Delahunt

A healthy housing market provides a variety of housing types that can meet the needs of the population through different stages of their lives. The housing stock on Cape Cod is almost completely uniform, consisting of 82 percent single-family homes. Barnstable County lacks many of the housing types that are sorely needed, such as multi-family apartments, seasonal workforce housing, Accessory Dwelling Units, and smaller homes in village centers.

The lack of choice within the housing market results in an inefficient use of existing homes. People take whatever housing they can get, not what is best for their needs. Empty nesters don't downsize, holding onto a house that would be ideal for a family to occupy. A young professional or skilled worker, for example, can't find a 1-2 bedroom unit and is forced to pay more to rent a large 2-4 bedroom house or have roommates to offset the increased rent. That house is no longer available for the single working mother, who now must pay more to compete in a market with a limited, stagnant supply.

Housing choice is an important factor in a worker's decision to accept or not accept a job on Cape Cod. The current lack of options is exacerbating the challenge of maintaining a strong workforce. The importance of diversifying Cape Cod's housing stock to allow for mobility between housing types cannot be understated. The Cape Cod Commission estimates that “If seniors were given the option of downsizing into appropriately sized units, this option could potentially fill about one-third of the current housing gap.”

Inefficient use of housing results in competition between middle- and low-income people for the few units available. This means low-income renters who don't qualify for an affordable housing program are forced to pay even more for a rental. The housing supply is so low that people at all income levels are competing for the same scarce rental units.

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FIGURE 1 Harper, “Unlocking Our Potential: Addressing Cape Cod’s Housing Needs.”
6 Cape Cod Commission, “Regional Housing Market Analysis and 10-Year Forecast of Housing Supply and Demand for Barnstable County, Massachusetts,” p.94
The Cape Cod Commission study highlights this unique aspect of the Cape Cod housing market and notes that there is currently “a housing supply bottleneck at 100–120% of median household income, as households — many of whom have many housing choices versus the lower income households — were occupying units affordable at that level.”

To meet the demands of a healthy economy and address the housing crisis, it is crucial to increase the supply of housing, take pressure off the market, and look at the totality of the rental market. Adding rental housing at all income levels to the regional housing inventory, both at market-rate and affordable units, is an important strategy to relieve pressure on the market.

**COMPETITIVE WAGES ARE NOT THE PROBLEM**

“We have sous chefs making $75,000/year. My nephew is a bank manager and his wife is a speech therapist. They both make good money, but they’re having difficulty competing in the housing market. People like that are choosing to move away.” — Bill Zammer, owner of Cape Cod Restaurants Group

Although wages on Cape Cod are lower than the state average, the driving force behind the housing crisis is not wages, but rather purchasing power differences between the year-round workforce and second homebuyers. Cape Cod’s workforce, with an area median income of $67,374, often cannot compete in the current housing market where second homebuyers, 70% of whom make more than $100,000 per year, routinely outbid them.

Contradicting stereotypes about who rents, a recent report commissioned by HAC found that “On the Cape, year-round renters represent diverse ages and income levels. 11% of renters earn over $100,000 in annual income, and 27% make between $50,000 and $100,000 a year.” In other regions of the state and country, workers making these salaries would be prime candidates for homeownership. However, on Cape Cod even finding rental units can be a challenge and those who do find a rental are paying a larger percentage of their income towards rent than they should. For example, Barnstable and Falmouth see households making between $50,000-$70,000 struggle with high rents, with up to 29% spending more than the recommended 30% of their income on rent. Those same households could choose to live off-Cape in towns like Wareham or Plymouth where less than 5% are rent overburdened. This is not sustainable for Cape Cod’s economy. “As municipalities and regions compete for businesses and talent in a tight labor market, a region’s housing stock can be an advantage or a limiting factor.”

Across the board, in interviews with local business leaders, we were repeatedly told that the housing shortage on Cape Cod is impacting their ability to recruit employees, even for high-wage positions. David Robinson, President and CEO of Rogers & Gray Insurance, told us “It’s not just about wages. We have good paying jobs, but the housing supply is so low that it’s impossible to find anything. And it’s hard to attract a skilled employee when they have to potentially live in short-term housing until something year-round becomes available.”

Bert Talerman, First Executive Vice President of Cape Cod 5, echoed these concerns, saying:

“We’re trying to hire and retain good employees and to the extent that housing is an impediment to those employees to stay here, that’s an issue for us, along with many employers. Most of our workforce is year-round so our workforce gets caught up in the lack of year-round housing. It’s expensive to live here and with limited housing options, that is a driver in the choice that employees make.”

This is a problem that is not going to go away on its own; the purchasing power of second homeowners is always going to be greater than the average year-round resident, requiring innovative solutions.

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7 Ibid. p.94
8 “USA Counties in Profile.”
9 Ibid.
10 Ramachandran, “Housing the Cape’s Workforce: More Year Round Rentals for a Stronger Economy.” p. 2
11 Ibid. p.12
12 Ibid. p.2
SEASONAL HOUSING DOMINATES THE CAPE, DISPLACING YEAR-ROUND WORKFORCE

There are 58,509 seasonal homes on Cape Cod\(^3\) — about 36.46% of the entire housing stock. That’s a huge number, especially when considering that only 4.4% of all homes in Massachusetts are seasonal.\(^4\) And that number is only expected to increase on Cape Cod. In fact, over the next 10 years, the number of seasonal units are expected to increase at twice the rate of year-round units.\(^5\) Even more concerning is the fact that 72% of Cape Cod’s seasonal homes remain empty for most of the year.\(^6\) Many of these houses are used for only a few weeks in the summer or rented out weekly to vacationers. On the whole, the Cape Cod housing market is currently experiencing an “oversupply of units on the short-term market, and unmet demand for market-rate, year-round rental housing.”\(^7\) In the past six years alone, Cape Cod lost 3,000 year-round units and gained 5,000 seasonal homes, as many homes were converted into weekly rentals.\(^8\)

As more year-round residents migrate off-Cape for housing, the Cape’s economy becomes increasingly seasonal, putting a significant strain on the economy, regardless of their status as a homeowner or renter.

\(^{14}\) “STATSCape Cod.”
\(^{15}\) Cape Cod Commission, “Housing Market Analysis: Data Visualizations.”
\(^{16}\) Ramachandran, “Housing the Cape’s Workforce: More Year Round Rentals for a Stronger Economy.” p. 13
\(^{17}\) Ibid. p. 3
\(^{19}\) Cape Cod Commission, “BART - Barnstable Area Regional Trends.”
The Seasonal Rental “Get Rich” Myth

“There are an awful lot of people thinking they can make a ton of money on Airbnb right now.”
— Bert Talerman, First Executive Vice President of Cape Cod 5

For some second homeowners, weekly summer rentals can be a reliable source of extra income to support the costs of maintaining their property, but many overestimate the expected revenue and underestimate the costs and hassle of managing a short-term rental. For the average modest 2- to 3-bedroom home on Cape Cod, it can sometimes be difficult to fill the rental for the entire summer. An analysis of Airbnb data shows that during peak tourist season (August 2018) in several communities, including South Dennis, South Yarmouth, West Dennis, and Falmouth, a quarter of seasonal rentals had vacancy rates of over 35%. Many people assume that renting their second home as a short-term rental will cover most of their home expense. However, with the exception of waterfront or high-end properties, this is rarely the case.

Even with full occupancy, it is very difficult for a homeowner to actually cover their costs with summer rentals alone. In a recent Cape Cod Times article, Jeff Talmedge of WeNeedaVacation.com, an online rental listing company, “estimates only one percent of homeowners using their service run a positive cash flow from rents, once expenses, taxes and insurance are paid.” In addition, the Massachusetts State Legislature passed a tax on short-term rentals of up to 15% that would further increase costs. While Governor Baker returned the bill to the Legislature, it will no doubt be taken up again in the 2019-2020 legislative session.

20 “AirDNA.” For this report, we analyzed Airbnb data in the towns of Orleans, Dennis, Yarmouth, and Falmouth.
21 Spillane, “Reactions on Cape Cod Mixed to Short-Term Rental Tax.”
FORK IN THE ROAD

YEAR-ROUND HOUSING SHORTAGE
IF WE TAKE ACTION:

- Local year-round workforce increases demand for year-round businesses & professional jobs
- Businesses can afford to expand and hire more workers
- More reasonably priced goods and services
- Greater consumer choices
- Region’s competitiveness increases

IF WE DO NOTHING:

- Worker attraction and retention goes down
- Employers have to pay more to attract workers or reduce hours
- Consumers pay higher prices for goods and services
- Lack of consumer choices and access to essential services
- Region’s competitiveness decreases
ZONING IS OUTDATED

“The affordable housing conundrum can be seen in the example of apartment buildings. Towns want limits to 2- and 3-story structures, yet developers say that economic feasibility requires 4 stories for affordable units. Affordability must also be viable in order to take place.”—Tony Shepley, Owner and President of Shepley Wood Products Inc.

While macroeconomic forces are beyond local policymakers’ control, the conditions of today’s rental market are also influenced by zoning policy. It’s important to understand that there are strategies within local control and changes that can be made to positively impact the market.

A root cause of Cape Cod’s lack of housing diversity is outdated zoning regulations. The region consists primarily of single-family residential zoning districts, which were originally designed to keep residential and commercial/industrial uses separate and to preserve privacy through one- or two-acre minimum lot size and large setback requirements, as well as protect private drinking wells and the environment from wastewater pollutants and nitrogen overloading. While necessary at the time, the end result has been the loss of land to an inefficient and sprawling development pattern that severely limits the types of housing that can be built.

With changes in infrastructure, technology, and planning, Cape Cod no longer needs to keep this one-size-fits-all approach to zoning. There are many areas where it would make sense to develop higher density housing, either single-family homes on smaller lots or multifamily housing, if zoning would allow for it.

The Cape Cod of old housed multiple generations and housing units on the same lots, had dense, walkable village centers, and contained thoughtful preservation of the Cape’s quaint identity. Then, in the last century, zoning permitted unbridled growth without thought to form, with notable exceptions. One sees the resulting juxtaposition on a drive down the Old King’s Highway (Route 6A) vs. Route 28. Consequently, in the last 30-40 years, town leaders made an effort to push back on that growth by focusing on function and lot size. Today, less than 20% of Cape Cod’s

In districts with 1 acre minimum zoning, the equivalent of just under a football field is needed to build a single house.

22 Ridley and Associates, “Overcoming Impediments to Smart Growth on Cape Cod.”
land area is unprotected and developable. Of that, more than 7,000 acres of land in special flood hazard areas subject to flood-related losses.\textsuperscript{23} Under existing zoning, much of the remaining land can only be developed as single family homes on large one- and two-acre lots.

High zoning barriers artificially constrict the supply and increase the price of housing out of reach to locals. \textbf{The impact of current zoning is staggering: “Current regulations create an inverse relationship between second-homes and year-round homes.”}\textsuperscript{24} When the limited supply of developable land remaining is divided up into minimum one-acre parcels, the cost per-unit for housing development increases. This phenomenon, combined with purchasing power disparities, has the effect of pushing housing costs out of reach of the average year-rounder in favor of vacation homebuyers or investors.

\textit{“There are many existing sites we evaluate that, at the first glance, would make sense to be developed or redeveloped as housing. Sadly, a lot of them do not qualify under existing use and dimensional regulations.”} — \textbf{Richard Fenuccio (Architect) and John Bologna (Professional Engineer), Cape & Plymouth Business Magazine}\textsuperscript{25}

In addition, the regulatory process required by towns to approve projects, such as obtaining special permits or regulatory agreements, can be a hindrance to new housing development. In general, the greater the uncertainty in the permitting process, the higher the financial risk to the developer. This is not solely a Cape Cod phenomenon; the time and expense of regulation during the housing development process has continued to rise nationally over the last 5 years.\textsuperscript{26}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{Regulatory_Costs.png}
\caption{Regulatory Costs as a Share of Home Price}
\end{figure}

\textit{“On average, regulations imposed by government at all levels account for 24.3 percent of the final price of a new single-family home built for sale.”}\textsuperscript{27}

\textsuperscript{23} Harper to Coxe, September 18, 2018.
\textsuperscript{24} Ramachandran p. 14
\textsuperscript{25} Fenuccio and Bologna, “Land Use Planning: Zoning and Cape Cod Housing.”
\textsuperscript{26} Emrath, “Government Regulation in the Price of a New Home.”
\textsuperscript{27} Ibid.
The lack of housing across the income spectrum is hurting the economy. Employers are unable to expand because the pool of workers is moving over the bridges, creating competition between off-Cape and on-Cape employers. Left unaddressed, the housing shortage will begin to negatively impact prices and access to essential goods and services, municipalities, and traffic.

Left on the current path without implementing a series of diverse new solutions, the impact on everything from bridge traffic to the cost of everyday goods and services will be pronounced, affecting not only renters and workers, but homeowners, businesses, municipalities, and visitors.

Cape Cod will see a further erosion of existing rental units. While laudable, town programs are not currently keeping pace with demand. The Cape Cod Commission study projects that housing affordability stress will continue to increase for lower income levels and will climb into higher income levels. It forecasts that in the next ten years, “the greatest increase in burdened households are with those earning 100% to 120% of the projected median income.”

**HOUSING HURTS PROFESSIONAL EMPLOYERS TOO**

For many years, the hospitality and service industries were the only businesses impacted by the housing crisis. Today, it’s hurting everyone, including the professional services, healthcare, transportation, and banking, which offer good-paying, year-round employment.” —Peter Muise, President & CEO, First Citizens’ Federal Credit Union

The effects of the housing crunch on Cape Cod’s year-round workforce are already visible. Over one-quarter of year-round workers now live off-Cape and commute back over the bridges every day to work, increasing year-round traffic. The lack of year-round housing options has become a major hindrance to business expansion and economic growth in the region. During interviews for this report, representatives from several of Cape Cod’s largest and most influential employers—many offering good-paying year-round professional positions—expressed their concerns about the impact of the housing crisis on their businesses and the regional economy as a whole. Terri Ahern, Senior Vice President of Strategy & Government Affairs at Cape Cod Healthcare, told us:

“In order to remain competitive in our recruitment of top quality physicians and other professionals, we must be able to ensure there is adequate and affordable housing. Housing, cost of living and community resources are all important in our recruiting efforts. Lifestyle and the amenities available on Cape Cod are key tools in our recruiting toolkit, and housing affordability, both rental and ownership, can offset the positive things Cape Cod has to offer someone thinking of relocating here.”

The exodus may cause a double-hit to employers as their consumer base is reduced. When workers leave Cape Cod, recent trends show the people replacing them are second homebuyers. If even a quarter or half of the remaining 55,068 Cape-based workers relocate and aren’t replaced by year-rounders, year-round businesses face a significant dip in their customer base. Under those conditions, businesses will have to reconsider staffing (further contributing to the down-cycle in good-paying jobs), close during the winter, or close entirely.

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28 Cape Cod Commission, “Housing Market Analysis: Data Visualizations.”
29 Ramachandran, “Housing the Cape’s Workforce: More Year Round Rentals for a Stronger Economy.”
POTENTIAL REGIONAL IMPACTS

ON HEALTHCARE

“With the Cape’s largest workforce, housing access at every level is critical to maintaining the region’s safety net healthcare system.” — Terri Ahern, Senior Vice President of Strategy & Government Affairs Cape Cod Healthcare

ON MUNICIPALITIES

“It’s becoming more difficult for towns to recruit and retain qualified employees. It used to be relegated to supervisory positions, but now we are finding it can be challenging for positions across the board.” — Peter Johnson-Staub, Assistant Town Manager in Falmouth

ON PRICES OF GOODS AND SERVICES

“As it becomes harder for workers to live here, businesses will have to pay more to import workers from over the bridge. That just drives up the price to all residents for goods and services.” — Wendy Northcross, CEO, Cape Cod Chamber of Commerce

ON TRAFFIC

“If you have more workers traveling over the bridges it’s going to mean a lot more traffic for everyone. Most people living on Cape Cod have an expectation of weekend traffic and relief from it Monday through Friday. But with more workers traveling here for work Monday through Friday clogging the roadways, residents will get to a point where there’s no relief from the traffic. It’s one thing if traffic impacts you on a Friday afternoon, but if it’s Wednesday morning and you’re in traffic, you’re going to get frustrated. You schedule something to take 10 minutes and it turns into a half hour.” — Glenn Cannon, Professional Engineer with 25 years in transportation

ON THE LOWER CAPE

“The problem with importing workers from over the bridge is that you reach a commute time that workers are unwilling to endure. If they live in Fall River, they won’t drive past Brewster or Chatham.” — David Augustinho, Executive Director of Cape & Islands Workforce Development Board
THERE IS A COST TO IMPORTING WORKERS

“As it becomes harder for workers to live here, businesses will have to pay more to import workers from over the bridge. That just drives up the price to all residents for goods and services.”—Wendy Northcross, CEO, Cape Cod Chamber of Commerce

The most damaging impact of a workforce displacement comes in the form of higher prices and fewer options for consumers, especially in geographically isolated areas like Cape Cod. Once over the bridge, many workers have choices about where they can work, particularly in the Boston area. Without a solid base of employees, businesses face difficulty maintaining their operations or expanding to meet demand. They will have to pay higher wages to attract employees from further away, thus increasing costs of goods and services for everyone.

Restaurants and other service businesses that traditionally hire a large number of lower-wage workers are having difficulty staffing up. For years, seasonal Cape businesses struggled to find workers and brought in H-2B visa workers and student J-1 workers to address the problem. But in the last decade, the federal government has made it increasingly difficult for Cape businesses to access H-2Bs. Seasonal employers are delaying opening, closing one day a week, and facing staffing shortages that impact the quality of customer experiences. Eventually, businesses must increase their prices to compensate for the higher wages they must pay to recruit workers. The H-2B and J-1 workers are also being squeezed out by housing that is turning over to nightly or weekly rentals via online platforms like Airbnb and VRBO.

Restaurants are just the beginning. Many businesses will find themselves harder pressed to fill shifts and meet the demand of not only tourists, but year-round consumers. To meet demand, they will be forced to offer higher wages, which will only drive up prices.

For-profit businesses are not the only sectors impacted. Nonprofits will also feel the squeeze. Cape Cod Healthcare needs to regularly recruit physicians and other skilled medical personnel. Compared with lower-priced housing in other regions of the country, the purchasing power on Cape Cod’s real estate market offers modest options to a doctor considering raising his or her family here. To meet the needs of a year-round community, employers in all sectors need a self-contained workforce.

SENIORS AND LOWER CAPE RESIDENTS MAY BE HARDEST HIT

“We have a market to expand [our healthcare services] but can’t. Workers are going to the highest paying job and they’re working more than one job. But even at $15/hour, it’s not viable to make rent.

Unlike trades with longer shifts, driving workers in by the truckload doesn’t work with the business model. The problem falls on the backs of the seniors; the rates for services would skyrocket.

It will wreck havoc down the road. If you can’t provide them with the help they need, their kids are going to have to figure out how to take care of the senior population. The population will need more services, not less. If we don’t get enough people out there to help them, what’s going to happen? How are they going to get to the doctor’s? With the Alzheimer’s population, it’s the same thing. Seniors need affordable help. There will be a sea of older people asking ‘who’s going to help me?’”

—Denise Dever, Former owner of the local Home Instead Senior Care

A staggering 27.5% of Barnstable County residents are over the age of 65, making it the oldest county in Massachusetts. The aging population is only going to grow in size. And that population has an interest in having a good supply of year-round employees to take care of them because as people age, they need more caretaking.

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30 Johnson, “Fierce Competition for Foreign Workers Could Alter Cape Cod.”
31 Driscoll, “Visa Lottery Leaves Seasonal Employers in Holding Pattern.”
32 “USA Counties in Profile.”
services. Due to the nature of the work, caretakers generally need to be located nearby. Whether seniors age-in-place and hire a home-care service or go into assisted living, they require CNAs, who work 3-4 hour shifts at low wages.

Baby boomers are retiring and aging on Cape Cod because it is a desirable location. Yet geography and the housing inventory present a dilemma for residents and decision makers as the resources to care for seniors becomes scarcer. Adding in the increased costs for essential goods, seniors face significant cost-of-living increases. Those who retired to Cape Cod planning on a certain budget may find it challenging to keep up with these increasing costs.

Healthcare experts warn that workers won’t drive long distances for a $12/hour job. People looking to hire healthcare providers, particularly CNAs, will face long waitlists or increased prices or both. In the homecare field, there are employers all over Massachusetts, so a CNA can find employment locally in his or her backyard. This means CNA workers located off-Cape will have no incentive to drive long distances or sit in summer traffic for the type of short shifts seniors are looking for, unless they are paid significantly more money.

The Lower Cape is older than the Mid-Cape and Upper Cape, compounding the senior care industry challenges Cape Cod will face. Furthermore, the Lower Cape is a commuting boundary for workers of all types. A daily commute from Bourne or Wareham to Chatham or Eastham in the off-season takes at least an hour. In the summer, it can take up to two hours. When workers have the option of spending less than that amount of time in the car heading to the 495 belt, where wages are higher, the choice to abandon the Cape Cod job market will be an easy one for many.

Outer and Lower Cape residents will most likely experience the impact of a homegrown worker shortage first and most acutely. The challenges of a limited labor supply, high cost of living, and limited housing supply are magnified on the Islands. The Outer Cape falls into the same category: it’s highly seasonal, which creates workforce and cost-of-living challenges.

Today, year-round residents on the Outer Cape face the prospect of fewer restaurants and retail stores open in the winter. In the future, locals may have to drive to the Mid-Cape to shop or eat out during the off-season.

THE WORKER EXODUS WILL IMPACT QUALITY OF LIFE

Workers traveling from off-Cape could create further traffic headaches. In addition to bridge work, the Cape is already seeing increased traffic year-round. With a 7.6% increase in workers traveling from off-Cape in just four short years (2011-2015), it can be extrapolated that bridge traffic will only worsen year-round.

The increase in workers coming from off-Cape may result in clogged roadways in the summer, especially during peak hours, and wear and tear to the bridges and roadways. More daily traffic also creates frustration for tourists. As a region actively trying to attract tourists, traffic can detract from their willingness to visit Cape Cod.

Returning to a more seasonal economy presents challenges to Cape towns as well. A tourism-based economy increases risk for municipalities. If a town is reliant on any single industry, it creates more risk than if revenue comes from diversified sources. The tourism industry provides strong revenue in good economic times, but has some volatility when there’s an economic downturn. Since the last recession, meal and room taxes have gone up. If towns use that revenue to fund essential services and a recession hits, it could create budgeting woes.

Along with every other employer, a housing shortage impacts towns’ abilities to attract and retain high-level employees and line employees. It impacts what towns pay to attract workers as well as the quality of candidates. According to Peter Johnson-Staub, Assistant Town Manager in Falmouth, “It’s becoming more difficult for towns to recruit and retain qualified employees. It used to be relegated to supervisory positions, but now we are finding it can be challenging for positions across the board.”

33 Dever and Augustinho to Coxe, n.d.
34 Carroll, “Boston.com.”
35 Ramachandran, “Housing the Cape’s Workforce: More Year Round Rentals for a Stronger Economy.” p. 4
Cape Cod stands at the edge of an economic precipice, driven largely by housing. While important, traditional approaches to affordable housing development, such as Low-Income Housing Tax Credits (LIHTC) and 40B projects, have not kept pace with demand. Community leaders have made great strides in trying to build a thriving year-round economy to supplement the second homeowner and tourism market. However, if Cape Cod continues on its current trajectory, it stands to go backwards on these gains.

No one agency, community or business can solve this problem alone. No one solution will fix the housing supply shortage, nor will it resolve overnight. The problem has reached such proportions that it is no longer a question of which solutions we employ, but how many solutions can be tackled concurrently. We recommend a combination of short- and long-term measures to increase the regional year-round housing supply. This requires taking a range of actions now, starting with: 1) finding ways to incentivize more homeowners to rent their homes year-round; 2) making it easier to build and rent Accessory Dwelling Units (ADUs); 3) advocating for updated zoning to increase housing supply in a culturally and environmentally appropriate way; and 4) building regional capacity for action by educating residents and community leaders on housing and development issues.

The recommendations discussed below are intended to supplement traditional affordable housing programs, not replace them. It is critical that these traditional affordable housing programs are adequately funded while new innovative approaches are encouraged, such as the Baker-Polito Administration’s Housing Choice Initiative, the Workforce Housing Initiative, and efforts to reform state rules surround zoning changes. Local recommendations include:

**INCENTIVIZE SECOND HOMEOWNERS TO RENT YEAR-ROUND**

If even a small portion of Cape Cod’s nearly 60,000 second homeowners converted their homes from seasonal rentals to year-round rentals, we could reduce our housing gap. Of course, not every second homeowner will want to rent their home year-round. Many are high-end vacation homes and others are used by the owners or their family beyond the summer months. However, many of these homeowners use their properties infrequently. In fact, data shows that 72% of the properties are vacant most of the year. The owners may be people who purchased their home as a residence for retirement, or families that hold their properties in trust and are too busy to visit the Cape regularly.

Regardless, each owner’s situation is unique. Unlocking some portion of these units for year-round rentals is an untapped resource that could potentially add housing for local residents. The default approach for homeowners is to rent weekly. However, with an oversupply of vacation rentals in the region, many homes have high vacancy rates during peak summer months. Additionally, due to high use and vacationer expectations, the maintenance costs increase significantly with short-term rentals. In most cases the year-round monthly rent is the same as the seasonal weekly rate. Depending on the carrying costs for the property, an annual rental arrangement may provide more consistent income and less costs to maintain the property.

Finding a way to incentivize seasonal homeowners to rent year-round to a family is an effort worthy of consideration. During our research we learned that owners are willing to rent year-round with assurance that the tenant will pay and care for their asset. Also, a new type of rental arrangement is becoming more common whereby the landlord has access to their home for a two-week vacation while the tenants go elsewhere. As unconventional as that may sound, it demonstrates the marketplace is willing to look at the housing problem through a different lens. We recommend exploring tax abatement programs for landlords who rent their property year-round and wrap-around services for homeowners whereby best practices on tenant selection and property management can be shared mitigating any negative experiences.
CREATE MORE ACCESSORY DWELLING UNITS

Smarter Cape Partnership is backing a model bylaw developed by the Cape Cod Commission that creates design, environmental, and aesthetic standards for Accessory Dwelling Units (ADUs) and makes it easier for homeowners to build year-round accessory rental units on their property, such as a carriage house, an in-law apartment or an above-garage apartment. It prohibits ADUs from being rented on the short-term rental market and has a minimum tenancy term, thereby making it accessible to the workforce.

This bylaw change will add to the supply of market-rate housing, without costing taxpayer dollars, changing community character, damaging the environment, or eating up open space. In most cases homeowners wouldn’t be adding any more bedrooms than they are already allowed to by-right. So this bylaw would not cause environmental concerns from added density.

Accessory units create affordability in two categories—increasing attainable rental options and creating an income stream to make a home more affordable for owners. Allowing existing homeowners to create more rental opportunities without adding more bedrooms or bathrooms than allowed by wastewater and/or zoning regulations strikes a great balance of more units, while keeping the charm and character of Cape Cod intact.

Additionally, aging-in-place can be made easier by the addition of an ADU to house a CNA or relative, or just to rent to a young person who can keep an eye on seniors and supplement their retirement income.

Accessory Dwelling Units (ADUs), more commonly known as in-law apartments, fit into the design of the existing home and the community character.

**EXAMPLE 1**
- Interior ADU within existing footprint

**EXAMPLE 2**
- Interior ADU with an addition

**EXAMPLE 3**
- Separate ADU detached

**FIGURE 6**

36 "A Smarter Cape Initiative."

WWW.CAPEHOUSING.ORG
UPDATE ZONING & LONG-TERM STRUCTURAL PLANNING

The original concerns that lead to the creation of one- and two-acre zoning districts are no longer major factors. Private wells have largely been replaced by public water supplies and towns are beginning to address wastewater issues. While continued protection of natural areas is needed to preserve water quality, two-acre or large-lot zoning is no longer a universal solution to meeting water quality needs.37

Instead, we recommend an approach to zoning that is already supported and advocated for by the Cape Cod Commission and many professional town planners, commonly referred to as “smart growth.” This concept encourages more compact growth close to existing economic centers where adequate infrastructure and services are already in place. Better zoning includes allowing development of more housing units per acre when infrastructure concerns are adequately addressed. Housing is not in opposition to the preservation of the environment or community character. Smart growth is just that — acceptance that Cape Cod is a desirable place to live, that it will grow, and that we can plan for growth in a way that minimizes harm and maximizes benefit. “This isn't a problem we can build our way out of under the regulations of the past. If we create the right environment and appropriate opportunities for higher density, we could see the market respond and close these gaps.”38 — Paul Niedzwiki, Former Executive Director, Cape Cod Commission

This doesn’t mean abdicating the responsibility to protect community character and natural environment. Restrictive zoning is still appropriate in many areas of Cape Cod. Dense residential development should be focused in and around village centers where additional housing will enhance the neighborhood and generate more economic activity without negatively impacting the environment and community character. Contrary to fears about density, smart growth and planning that includes more appropriately-sized housing in village centers can boost property values for existing homeowners.39

Furthermore, spreading out houses actually increases wastewater infrastructure costs. Density in village centers creates economies of scale and saves towns money. “Wastewater collection costs represent about 70% of the cost of constructing a system of sewers, treatment plants, and effluent disposal facilities. Costs can be reduced by focusing on the most densely developed areas, where the least amount of sewer pipe is needed to collect wastewater flows requiring nitrogen control.”40

In addition to allowing more housing per acre, density drives down costs for developers, which makes pricing more attainable for renters and homebuyers. Allowing for higher density development makes it easier, more predictable, and cheaper for developers to create housing that benefits residents.

Improving public infrastructure and updating zoning laws to allow for more efficient land use will encourage new housing construction while continuing to protect the fragile environment, central to Cape Cod’s way of life and economy. To achieve a thoughtful, proactive outcome, the planning for the housing supply needs to occur concurrently with planning for the water supply.

37 Harper to Coxe, September 18, 2018.
38 Cape Cod Commission, “Study Ties Housing ‘Monoculture’ to Increase in Cost-Burdened Households.”
39 Ramachandran, “Housing the Cape’s Workforce: More Year Round Rentals for a Stronger Economy.” p. 4
40 Cape Cod Commission, “Cape Cod Area Wide Water Quality Management Plan Update.” p. 5-8
INCREASE REGIONAL CAPACITY FOR ACTION

Local elected officials, town employees, and volunteer committee members are on the front lines of the effort to solve the housing crisis on Cape Cod.

Decisions made at this level, such as allocating funding to housing programs, changing zoning, or approving private development projects can shape the housing landscape for decades to come. Therefore is it is important to make sure that decision makers have a strong understanding of issues surrounding the housing market, community needs, the development process, construction financing, and zoning regulations.

One such effort to educate decision makers is the Cape Housing Institute. It was created in 2017 through a collaboration between the Community Development Partnership (CDP) and Housing Assistance Corporation (HAC) to equip business and community leaders, municipal staff, and local officials with the knowledge and skills to support the creation of more affordable housing on Cape Cod. In its first year, a total of 140 municipal officials, representing each town on Cape Cod attended the Cape Housing Institute workshops. The course took place over six weeks and was aimed at providing municipal leaders with the education, tools, and resources to help boost the development of affordable housing needed in their communities. The Housing Institute is a great starting point; we need local decision makers to continue to educate themselves on housing issues and commit to working together on possible regional solutions.

There are many examples of towns thinking creatively on solutions to the housing crisis. Multiple towns have undertaken housing initiatives and studies over the past several years, including:

- **Provincetown Housing Playbook** - The Town of Provincetown engaged a Cambridge firm to help the Town develop a Housing Playbook with steps to meet its affordable housing goals.

- **Eastham DCPC** - With development pressures on its town center, the Town of Eastham is working with the Cape Cod Commission on a District of Critical Planning Concern that includes year-round housing as an integral part of the plan.

- **Town of Yarmouth Motel Redevelopment** - The Town of Yarmouth has drafted a bylaw to encourage developers to raze and redevelop old motel sites in town.

- **Cape Cod Commission Community Resiliency by Design Project** - The Cape Cod Commission is working with the architectural firm Union Studios on a project to encourage towns to consider moderate density to meet community housing needs.

- **Allocating CPC funding regionally** - Several local Community Preservation Committees (CPCs) have made commitments to fund affordable housing projects in neighboring towns, recognizing that housing is a regional problem, requiring regional solutions.

As a region, Cape Cod needs more efforts like these to make a lasting impact on our housing shortage. Choices about which paths to pursue rest in the hands of local officials and constituents who have the ability to show up at public hearings. It is critical that choices are deliberate, taking a comprehensive approach to housing, development, zoning, and other initiatives.

Surrounded by water, developable land options are limited. Since so little of Cape Cod’s land is undeveloped, the next 5-10 years of zoning decisions, housing policy, and economic development cannot be accidental. As unique and small as Cape Cod is, waiting for a silver-bullet solution or for state and federal lawmakers to create policies is not a viable choice. If each and every local proposal—from permitting to zoning changes is evaluated on the basis of its ability to ease the problems outlined in this report, the housing problem can be addressed on the margins along with the bolder proposals outlined in this report. Low-income families suffer first and most acutely if we do nothing, but they are not alone. Even homeowners and retirees who don’t interact with the rental housing market will feel the impact in the form of increased costs of goods and reduced access to essential services. We therefore believe that housing policy and advocacy on Cape Cod cannot be limited to low-income housing only; it must address the totality of the housing crisis. Ultimately, Cape Codders must consider the integrated full picture of the Cape Cod economy, environment and community of today, and take a multipronged approach to building a healthy Cape Cod future.
WORKS CITED


Dever, Denise, and David Augustinho. Personal Communication to Stefanie Coxe, n.d.


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