A Call for Transparent Usage of Data in Public Policy-Making

BLOOMINGTON ADVOCATES FOR SENSIBLE GROWTH

By Jean Simonian

Abstract: It is often posited in public policy discussions in Bloomington, Indiana that the city has an urgent shortage of housing. In fact, Bloomington's population growth has been slower than city planners have often suggested, and shows signs of shifting outward to Monroe County. In-person attendance at the Indiana University Bloomington campus has been declining since 2011 and will drop further due to the "enrollment cliff" projected to peak in 2025 and continue to 2037 at least. Analysis of available apartment occupancy data suggests the vacancy rate the city has put forward to justify its recent upzoning proposals has been understated; in fact, Bloomington's occupancy rate reflects a healthy rental market. Taken together, the city and the county have approved or actually undertaken new unit construction at a volume in excess of the region's projected growth need. While Bloomington clearly needs a larger inventory of housing affordable to lower-income buyers and renters, more general claims of an urgent housing shortage that would justify the city's proposed upzoning are overstated. There is a need for the city's administration to provide greater transparency in its generation and use of data before moving forward with its housing growth agenda.

Proposals for sweeping changes in land use and zoning have been put forward by the Mayor's administration in Bloomington, Indiana for public deliberation. At the heart of these proposals is a fundamental premise, generally expressed as if axiomatic: That Bloomington "urgently needs more housing." This tenet is presented without qualification and rarely has been challenged. The data presented, however, have often lacked coherence and cohesion, blurring the boundaries between what is and what is wished for. The following data narrative offers a critical assessment of the city's housing shortage claim, examining the relationship between three variables:

- Resident population growth
- In person IU student enrollment growth
- Existing/approved housing inventory

in order to assess whether or not there exists a shortage of housing supportive of the density proposal the City has proffered.

A few remarks about data collection: Data points that are highly correlative (data that can be analyzed easily in an "apples to apples" fashion) have been cited for 2018 in order to eliminate any influence of temporary COVID effects and to allow for corroboration between multiple sources of data. More recent up-dates have been included as available only for those areas not directly correlative, but helpful for context. All sources cited are authoritative in their origin, and, with the exception of simple sums, calculations are as presented by the sources. This paper has relied upon the Bloomington 2020 Housing Study, rather than the ROI Uplands Housing study, because it was a more intensive follow-up to the ROI study by design, and performed by the same consulting group. The analysis has not included the Bloomington HAND Rental Properties database because it is impossible to know from the data publicly accessible through the city's B-Clear data portal how to extrapolate the number of units from bedroom count, making it difficult to corroborate with other sources. While occupancy load is a distinction helpful to City supervision of rental properties, it cannot reliably be correlated to bedroom count.

Population Statistics 2018 for Monroe County

Within the City of Bloomington, population growth among non-student residents very slightly out-paced that of student residents, according to the American Community Survey. The reality is that the City and County populations represent one shared workforce. It has long been acknowledged that many non-student employees within the City choose to seek housing within the broader County area because of its more favorable home pricing and tax profile. Focusing upon the county as a whole presents a truer picture of how our population functions within the city limits than does segregating City from County census and housing inventory data.

It is also important to recognize that past demographics do not necessarily predict future trends. While Bloomington has been Monroe County's center of population growth in the past, the share of our population which is cost-burdened (i.e., paying more than 30% of income on housing) may prompt an increasing shift in population share to the county. Increases in building in the county would seem to acknowledge this growing trend. According to the American Community Survey, the population of the greater Monroe County metro area shows an historical average of 0.62% growth:

2019 and 2020 population estimated by projecting the raw 2018 numbers (ACS).

Year	Total Population	Growth	Annual Growth Rate
2021	171,506	1,138	0.66%
2020	170,368	1,138	0.67%
2019	169,230	1,138	0.67%
2018	168,092	663	0.39%
2017	167,429	774	0.46%
2016	166,655	1,582	0.95%
2015	165,073	651	0.39%
2014	164,422	1,201	0.73%
2013	163,221	369	0.23%
2012	162,852	1,130	0.69%
2011	161,722	1,590	0.98%
2010	160,132		0.00%

Furthermore, Monroe County saw a negative net domestic migration in 2019:

Components of Population Change, 2018-2019

	Number	Rank in State	Percent of State	Indiana
Net Domestic Migration	-282	84		3,997
Net International Migration	1,218	3		14,379
Natural Increase (births minus deaths)	264	15	1.4%	18,536

Source: US Census Bureau

Population and the Myth of 1% Growth

The Administration has frequently referenced Bloomington's "strong 1% growth" as a justification for needing an increased housing supply. But according to Carol Rogers, Indiana Business Research Center at the Kelley School of Business, addressing the Governor's Workforce Cabinet in February, Indiana growth is a "weak" 1%, with most attributed to the Indianapolis/Carmel/Anderson metro area, and smaller centers of growth in the Fort Wayne and Lafayette areas. In various forecasts, Indiana's 1% growth is characterized as "weak," "anemic," and "sluggish." Monroe County growth is assessed as less than 0 .7%, in agreement with the ACS data and within the historical norm. (Governor's Workforce Cabinet Meeting, February 18, 2021).

This is also in accordance with the annual United Van Lines report, seen as a reliable indicator of national demographic trends, which shows Indiana's outbound migration exceeding inbound migration in every year except 2018 over the last 10 years reported.

The demographic outlook is that Indiana's workforce is hollowing out, with 2020 being the first year in which elderly growth outpaces younger growth. In addition, Indiana's high school graduation rate remains too low to replenish the workforce.

Indiana HS graduation and IU enrollment status

According to the "Knocking at the College Door" initiative of the Western Interstate Commission for Higher Education, high school graduating cohorts are in decline, mostly due to demographic factors.

This report also forms the basis for the so-called **"enrollment cliff,"** expected to peak in 2025 and continuing through at least 2037. The greater Midwest, including Indiana, is projecting a decline in domestic enrollment greater than 15%. John Whelan, Indiana University's chief HR officer, has counseled other university leaders from an HR perspective on how fewer students will impact IU's workforce.

> ***"There are certain people in the university who understand the implications of the enrollment decline based on their jobs, but the broader IU staff and faculty generally don't know much about this. My priority has been to bring up this topic in every HR meeting and forum at IU over the past year, and I'll continue to do so."***
>
> John Whelan, Fall 2019

Nathan Grawe, a professor of economics at Carleton College and the author of the 2018 book *Demographics and the Demand for Higher Education* (Johns Hopkins University Press), which sought to project future demand for different types of institutions, found demand probably will differ for colleges depending on their locations, although high-prestige institutions are likely to fare better than less prestigious ones.

> ***"The Midwest and Northeast are obviously tougher regions," Grawe said. "Institutions that are out West are going to continue to see a softer landing. I don't think that necessarily means the institutions in the West can be ignoring the WICHE data. Even in the West, where it's a rising trend, they're going to experience that reversal in the 2020s."***

Nathan Grawe

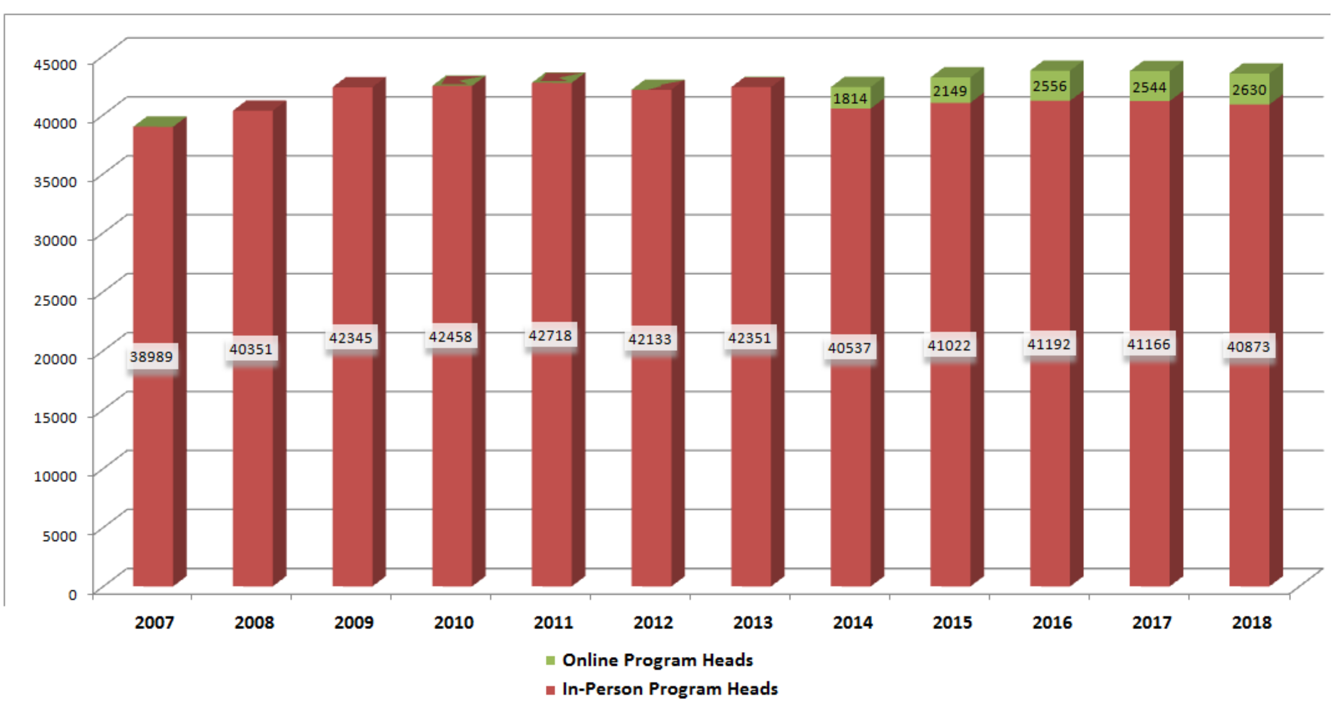
Phillip B. Levine, an economics professor at Wellesley College who has written about "the coming COVID baby bust" for the Brookings Institution, has projected that beyond the period studied by the Western Interstate Commission for Higher Education initiative, it is unlikely that college student demographics will return to their conventional patterns.

> ***"Looking beyond the end of the WICHE projections, experts don't expect growth in traditional-aged student cohorts to resume. We're forecasting this additional decline in births because of COVID," Levine said. "We think there is reason to believe that this is likely to be permanent or semipermanent."***

Philip B. Levine

Furthermore, it is most important to take note of the fact that **in person** enrollment at IUB has been *flat/in decline since 2011.*

Indiana University Bloomington Enrollment Headcount



Source: IU administrative source, shared in private e-mail

Notes:

(1) Data are not easily available on online program heads prior to 2014. It is likely that online census numbers moved from IUPUI to IUB in 2008 or 2009 -- a transition of 1500 online students to the IUB campus.
(2) Taking the pre-2014 estimates into account, there has been little variation in “heads in residence” since 2008 or 2009.

Although it appears that IUB overall enrollment has grown, this is the result of pre-COVID on-line enrollment, as a sub-set, which has grown to fill and exceed the gap created by *in person student decline.* While this is good news for IUB as an institution, it has a direct bearing on the provision/need for housing and other services—as well as on student consumer spending—within the local economy. As will be shown below, this decline of in person students is occurring simultaneously with an enormous growth in building of student housing complexes, resulting in higher vacancy rates in these complexes.

Bloomington’s Apartment Market Report 2018 for the Indiana Apartment Association

The September 18, 2018 Tikijian Associates Report to the Indiana Apartment Association, among others, reveals the overall state of Bloomington’s local economy with respect to rental housing data. For this discussion, 2018 is used as a sample year in order to avoid any extraordinary market disruption due to COVID.

The data reveal a 2018 total unit count of 11,300 (bedroom count varies between 1 and 5) and an average occupancy rate of 93.6%. The rental industry generally considers 94%-95% occupancy to be the sign of a healthy supply balance which allows for enough flexibility for movement while also protecting property values (and, by extension, the City’s tax base).

Furthermore, the cited historical averages of Bloomington’s rental occupancy fall into this same range:

- 5 yr: 94.8%;
- 10 yr: 94.7%;
- 20 yr: 94.8%.

The historical averages of price growth are also very stable:

- 5 yrs: 2.80%;
- 10 yr: 2.92%;
- 18 yr: 2.88%

Rental price growth in the 2017-2018 year has been highest for studio apartments, at 17%, while growth has been lowest for 1-bedroom units at 4.32%. The next highest price growth was seen in 3-bedroom units, at 7.7%. The 3-bedroom unit is most commonly cited in discussions of plex structures. It is apparent that 1- and 2-bedroom units are not as profitable.

Because the IU enrollment counts cited in reports to the Indiana Apartment Association reflect total enrollment, rather than *in person* enrollment, the inflated figure (+2911 students) implies a heightened investment potential for the sector.

Does Bloomington have a 2% vacancy rate?

To answer this question it is necessary to first determine what is being asked. Does a 2% vacancy rate occur in Bloomington? Yes. But is 2% representative of the vacancy rate of Bloomington as a whole? No.

The Administration frequently points to a 2% vacancy rate as proof of a housing shortage and the need to build and build fast to remedy the situation. It also uses this rate as the explanation for high rental pricing in Bloomington. We have already established that the rental pricing growth rate has, in fact, been stable for at least 20 years. So while it may appear that rents are unusually high in Bloomington, they are in line with the historical norm.

Are the rents affordable? That is an entirely different question. It is generally agreed that they are unaffordable *in the context of the local wage base*. Unfortunately, it is a fact of life that rental pricing in Bloomington is not connected to the local wage base. It is determined by the transient, visitor-student population, a large portion of which is supported by two parental incomes, increasingly from a higher wage state.

In light of the lack of diversity of the local economy --"Eds and Meds" -- Bloomington has far more in common with a *resort community* than a typical city economy. While this adds to our quality of life, as resorts do, it does result in the same issues that local residents in resort areas face in high costs of living: Higher food prices, higher housing costs, and a substantial transient population whose contribution to the tax base is largely through consumer spending, rather than through taxable income or property taxes.

It would be nice to believe that build and build fast, increasing the supply, would re-balance this equation. The Administration certainly proclaims it to be so. But research done in 2018 for the Federal Reserve Board of Governors has shown that rental pricing doesn't appear to respond very sensitively to changes in supply.

People make choices about where to live based on a host of factors more impactful than price: location (there is a reason for the truism in real estate of "location, location, location"); amenities; aesthetic appeal; perception of safety; proximity to friends/family; status; etc. This is made clear by the effort development groups extend towards the provision and promotion of their amenities. Price consideration only increases in priority the less one can afford to pay.

So where does this 2% vacancy figure come from?

The short answer (drawn from the Fall 2018. Indiana Apartment Association. Report to Indiana University on Enrollment, Demographics, and Housing Supply) is: *Core* rental housing less than 0.5 mi from campus.

Neighborhoods closest to campus have hosted rental opportunity for decades. These neighborhoods appeal to students because of their proximity to campus and the potential for sharing housing in small groups. Yet despite this competitive preference, rent growth has remained quite stable. High occupancy (99+% except for summer months) *has not led to escalating rental pricing*. While beds in the core are priced higher than those in student complexes more than 1.0 mile from campus, they are priced *lower* than beds between 0.5 mile and 1.0 mile from campus.

There are multiple potential reasons for this. Many houses are owned by small scale local landlords who may value occupancy and longer term tenancy over price (because of the high impact of even a 1-month vacancy on their investment and the costs of readying units between tenants). It is possible that the houses owned by IU also help to keep rents in check as IU pricing tends to be more conservative, perhaps as a service to students. Pre-leasing percentage is also highest in the core by far. Whatever the reasons, core housing is highly favored, and the growth of amenity-filled options farther from campus has not diminished core occupancy nor had a significant positive or negative effect on its pricing. Vacancy rates rise as one moves farther away from campus.

A 2017/2018 sample of all rental property reveals average occupancy is 84.9% (this is lower than the 93.6% shown in the Tikijian report because the IAA report is based upon a sampling with more weight given to the largest complexes). Again, 95-96% occupancy is the industry standard indicative of a healthy rental market. For Bloomington:

- <.5 mi from campus (core): 95.5% occupancy (includes summer months)
- >.5 to <1.0 mi from campus: 95.1% occupancy (downtown area)
- >1.0 mi from campus: 90.4% occupancy

Building/approvals since 2018

Large numbers of rental apartments have been built since 2018, especially in the city. It is extremely difficult for a resident to gain information on building statistics, as records from the Monroe County Building Department, HAND, tax assessment department, and proprietary sources do not reconcile. In sources in which only unit counts are available, bedroom counts can only be estimated. It should be an objective for Bloomington, moving forward, to develop and publish, across City departments, standardized reports of such data produced and made available through the City's B-Clear Data Portal. The table below lists apartments approved, built, or under construction in Bloomington. This table does not include senior housing at Meadowood or other senior housing located elsewhere around the city. Nor does it include specifically affordable housing units managed by the city.

Year	Name	Address	Beds	Units
2021	Century Village	East 3rd and 446		165
2020	The Standard	301 E. 14th St	1064	433
2020	Motel 6 Redo	1800 N. Walnut	750	242
2020	Peerless Dev	335 W. Eighth St	77	60
2020	KTGY/Annex	325 & 403 E. 3rd	110	102
2020	The Dillon	525 S. Patterson		635
2020	Union@ Crescent	1100 N. Crescent		146
2019	The Mill	2250 S. Element Way	195	130
2019	IU	Walnut Grove	700	700
2019	Gardens/Hilltop	1201 W. Allen	166	114
2019	Urban Station	300 S. Walnut	111	68
2019	Stageyard	321 S. Walnut		80
2018	Evolve	1425 N. Dunn	751	279
2018	Serendipity	Walnut	10	10
2018	Chandlers Glen	1550 N. Arlington Dr	855	253
2018	The Quarters	1521 Isaac Dr		178
2018	Tech Park	619 N. Morton		16
2018	CitySide	250S.Washington		78
2018	Washington Pl	342 S. Washington	40	10
Under shovel				
Shovel	Hillside Manor	926 E. Hillside Dr		40
Shovel	Telluride	Kinser Pike and 45/46	1000	300
Shovel	Bentley	10th and College		34
Shovel	G3 Apartments			35
		Subtotal		***4,108***

Year	Name	Address	Beds	Units
Approved not built				
Approved	Curry Development	Pete Ellis Drive	334	134
Approved	City Flats on 10th	3821 E. Barrington Dr		Unav
Approved	McDoel Gardens (Thompson PUD?)	300 W. Hillside Dr	235	123
		GRAND TOTAL		***4,365***

Properties under review, not yet approved. This data will be revised based upon additions or changes to properties reflected by the approval process.

Year	Name	Address	Units
Review	Latimer Square	Kmart Site	340
Review	Rogers Warehouse	Same as 300 W. Hillside Drive?	125
Review	Hospital Site	Unknown	---
Review	Warehouse	Behind Carlisle	100-300
		Review Total	***565-765***

Compiled by Margaret Clements, Ph.D., 4/2/2021

Apartments approved, built, under construction, or in consideration in Monroe County include:

Approval Year	Name	County Address	Units
Under consideration	Westgate	4788 W St Rd 48	300
	Hayden Flats	3009 S Rogers	300
		Tapp Rd.	300
		Adjacent to 3009 S Rogers	40
Approved	Southern Meadows	4831 S Rogers	100 homes
	4831 S Rogers		Seeking revised approval for 250+ homes
Under Construction	Verona Park	Sare Rd	248
	Highlands	Rockport Rd	219
		TOTAL	**1507--1657**

Although county building is not tax ratable by the city, a responsible plan for housing development should include the county as city and county share a workforce and consequently share a housing supply. To do otherwise is to ignore the on-the-ground reality of how housing supply functions within our community.

Rental in Neighborhoods Data Analysis

Despite the increased building of large, corporately-owned student rental complexes at least 1 mile from campus, rental in the neighborhoods adjacent to campus remains the strongest performing sector. Upzoning these areas, however, will raise land values and taxes — both of which are already high relative to Monroe and surrounding counties -- costs which will be reflected in rental price increases. It will also incentivize landlords to duplex these properties in order to benefit from the opportunity for additional revenue, which will in turn, raise the rents to recoup the construction costs. At a time when "since 2009, rentals between $800 and $1,499 increased, while rentals between $500 and $799 have decreased" [Affordability Study, p36], upzoning will further lessen options. Residents will become further cost-burdened, perhaps reversing the progress made since 2010 (Bloomington Housing Study, p.9).

The multiple data sources cited above make it clear that core rental housing is the most stable segment of the rental sector. It boasts the highest occupancy rates, the highest pre-leasing rates, and the most affordable property to buy to convert to rental. These are powerful incentives for development to capitalize upon. While investors can pass along to tenants the increased land and tax costs associated with upzoning, the owner occupant cannot.

Upzoning will lead to owner occupant displacement, as well as less rental affordability. The various conditional processes governing approval of time and distance between plexed structures will do little to mitigate this damage; a smaller amount of bad policy is still bad policy.

It is also crucial to this issue to discuss the relative importance of owner occupancy and home ownership in neighborhoods. Neighborhoods need tending to thrive as places residents want to live. They require stability of residents to provide a sense of community. They require diversity of residents to provide vitality. As neighborhoods transition from the current mix to a student rental monoculture, the very qualities that make core neighborhoods attractive as rental destinations will be lost. There is no magic numerical proportion of owner-occupancy/ rental that makes neighborhoods function at their best. But it is not unreasonable to assume something in the range of 50/50 works. The fact that our core neighborhoods more often than not tilt 60- 80% toward rental, is a precarious imbalance. Upzoning will further increase this imbalance.

Because these negative effects of upzoning are so clear, it begs the question of why the City is so determined to pursue this action, especially the imposition of R4 on neighborhoods. Density and inclusivity have both been cited repeatedly. I can find no data supportive of enhanced inclusivity in a proposal which will result in the creation of a market rate student rental monoculture. Nor does the data suggest a need at this time or in the foreseeable future for further densification, as the city alone has already built/approved since 2018 at least **4089** rental units, **far in excess** of the **2592** units specified as needed by 2030 -- even assuming inflated population growth projections (Bloomington Housing Study, p 10).

Local advocates for climate change mitigation frequently have alluded to a need to encourage development concentration close to the City's downtown square amenities as a measure to discourage "sprawl." The relevance of sprawl in a city that is only 5 miles end-to-end is debatable at best, but it should not be incentivized. On the other hand, the City's pursuit of annexation would seem to contradict an anti-sprawl agenda. Moreover, density that is unaffordable will not encourage anyone to move closer into the city's center — and may very well encourage those already here to move farther out to obtain more affordable housing.

So why upzone?

The best evidence suggests that the root incentive is increasing tax ratables. Owner occupied housing produces approximately half the tax revenue of rental housing due to the state's homestead exemption. Under state law, the city cannot significantly raise the property tax rate. Assessment, however, is malleable and can be raised through upzoning—*which is upzoning's practical role.* When a city faces declining property values such that it risks no longer being able to generate the revenues necessary to support essential services, upzoning can be a tool for increasing the value of land sufficient to raise the tax base.

But Bloomington does not suffer from *low* property values: Its unaffordability is partly a function of its *high* property values. Upzoning is the wrong tool to employ if the concerns are to reduce residents' cost burden, enhance equity, and mitigate climate change. It is, however, exactly the tool a municipal administration will use if raising property values in order to increase tax revenue is its goal. And it is the tool that commercial developers are most interested in promoting to increase profitability by incentivizing rental density.

As a city, we have incurred high operating costs due to extensive amenity development and improvements to infrastructure. Our economy shows no significant signs of diversification that would support such cost moving forward. At the same time, the increasing tax burden to residents to support such infrastructure demands a higher wage base or a vastly broader workforce. We are a resort economy, IU is our "attraction," and rental income is our biggest supportive industry. But "feeding" the rental industry comes at a cost for current residents, and depends for its success upon demographic changes moving forward that there is little/no supporting data to suggest.

The foregoing analysis strongly suggests a rejection of neighborhood upzoning and the need for greater data transparency before moving forward with further public policy debates on this issue.

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Jean Simonian came to Bloomington in 1978 to pursue graduate work in American Studies with an emphasis in social, cultural, and political history. She holds a Masters in Management and taught classes in Management, Business Ethics, and Law. She also completed graduate studies in Applied Linguistics. After teaching at Indiana University, she taught American Cultural and Political History in the Faculty of Comparative Cultures at Aichi University, in Japan. She is a resident of Bloomington's Eastside neighborhood.

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