Utah Housing Matters Conference

Housing Shelter Investment: What Works

PRESENTED BY

Heidi Aggeler, *Root Policy Research*
eidi@rootpolicy.com

ROOT POLICY
R E S E A R C H

Denver, Colorado 80220
970.880.1415 x102
www.rootpolicy.com

Root Policy Research

Housing and community development policy research firm, founded to advance economic consulting and policy analysis in many areas critical to the development of thriving communities

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Agenda

- What is affordable housing?

- Why do we have affordable housing needs?

- Why should we invest in housing? Do investments matter?

- What works to address housing needs, and to improve outcomes for low income households?

What is affordable housing?

# Housing is affordable when it costs less than 30% of income

Federal definition of affordability:

1). Housing costs are "affordable" if they do not exceed 30% of household's gross monthly income

2). "Costs" include basic utilities, mortgage insurance, HOA fees and property taxes

Households paying >30% for housing are "cost burdened"

>30%

Households paying >50% for housing are "severely cost burdened"

>50%
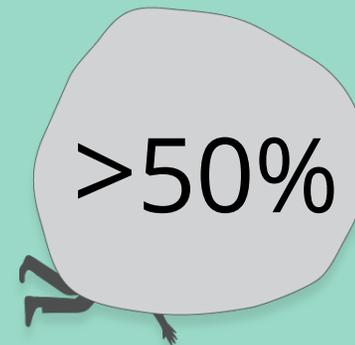
Income Thresholds & Target Housing Solutions

"extremely" low income
=< $23,650 per year, poverty level

< 30% MFI

Public housing, Section 8, tenant-based rental assistance, transitional housing, other deeply subsidized rentals.

"very" low income
$23,650-$39,400 per year

30-50% MFI

Public housing, Section 8, rental tax credit developments, other rental products. Shared equity and land trust for homeownership.

"low" income
$39,400-$63,050 per year

50-80% MFI

Generally live in privately provided rental housing. Ownership with shared equity, land trust, other deed-restricted products, attached homes, homes in affordable areas.

"median" to "moderate" income
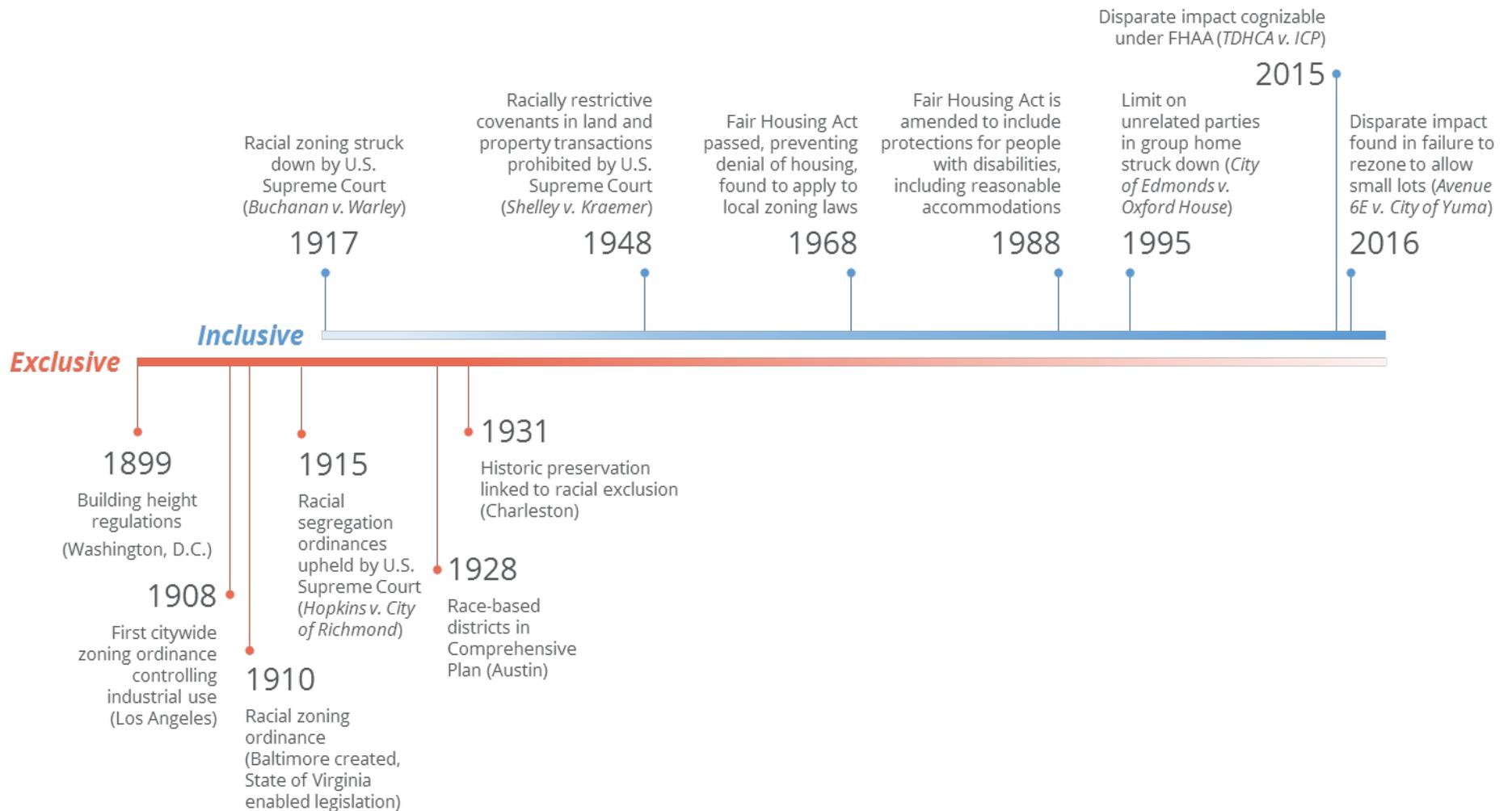$63,050-$94,560 per year

80-120% MFI

Privately provided rental housing. General target for homeownership programs, can buy without assistance in affordable areas.

Why do we have affordable housing needs?

Historical Factors

Disparate impact cognizable under FHAA (*TDHCA v. ICP*)

Inclusive

Racial zoning struck down by U.S. Supreme Court (*Buchanan v. Warley*)
1917

Racially restrictive covenants in land and property transactions prohibited by U.S. Supreme Court (*Shelley v. Kraemer*)
1948

Fair Housing Act passed, preventing denial of housing, found to apply to local zoning laws
1968

Fair Housing Act is amended to include protections for people with disabilities, including reasonable accommodations
1988

Limit on unrelated parties in group home struck down (*City of Edmonds v. Oxford House*)
1995

2015

Disparate impact found in failure to rezone to allow small lots (*Avenue 6E v. City of Yuma*)
2016

Exclusive

1899
Building height regulations (Washington, D.C.)

1908
First citywide zoning ordinance controlling industrial use (Los Angeles)

1910
Racial zoning ordinance (Baltimore created, State of Virginia enabled legislation)

1915
Racial segregation ordinances upheld by U.S. Supreme Court (*Hopkins v. City of Richmond*)

1928
Race-based districts in Comprehensive Plan (Austin)

1931
Historic preservation linked to racial exclusion (Charleston)

8

Market Factors: Rules of Supply and Demand Work Differently

1. Physical development of housing lags behind the factors that create demand

2. Housing is very dynamic, closely tied to many aspects of the economy: interest rates, tax incentives, returns on capital, employment levels, demographic shifts, in-migration, economic stimulus

3. Investor driven (investor owned?) market

Commitment Issues: Addressing Housing Heeds has not been a Priority

1. Inconsistent philosophies about if and how the federal government should address housing needs

2. "Not my job." Housing needs are not the responsibility of local government; this is the federal government or private sector's job

3. Housing has been (and is still largely) addressed reactively rather than proactively

Why should we invest in affordable housing?

The City Council Meeting

1. "Private sector can build us out of need." True—adding supply helps, and untrue—not everyone benefits

2. "This is an income problem." True—higher incomes have reduced the rental gap in many cities. Untrue—not a fix for people on fixed incomes and does not address underlying causes of rental needs (inelastic market, investor-driven market, lack of housing funds)

3. "Poor people just need to get jobs." Majority of people with housing needs are people who cannot work (due age, disability, need for child care)

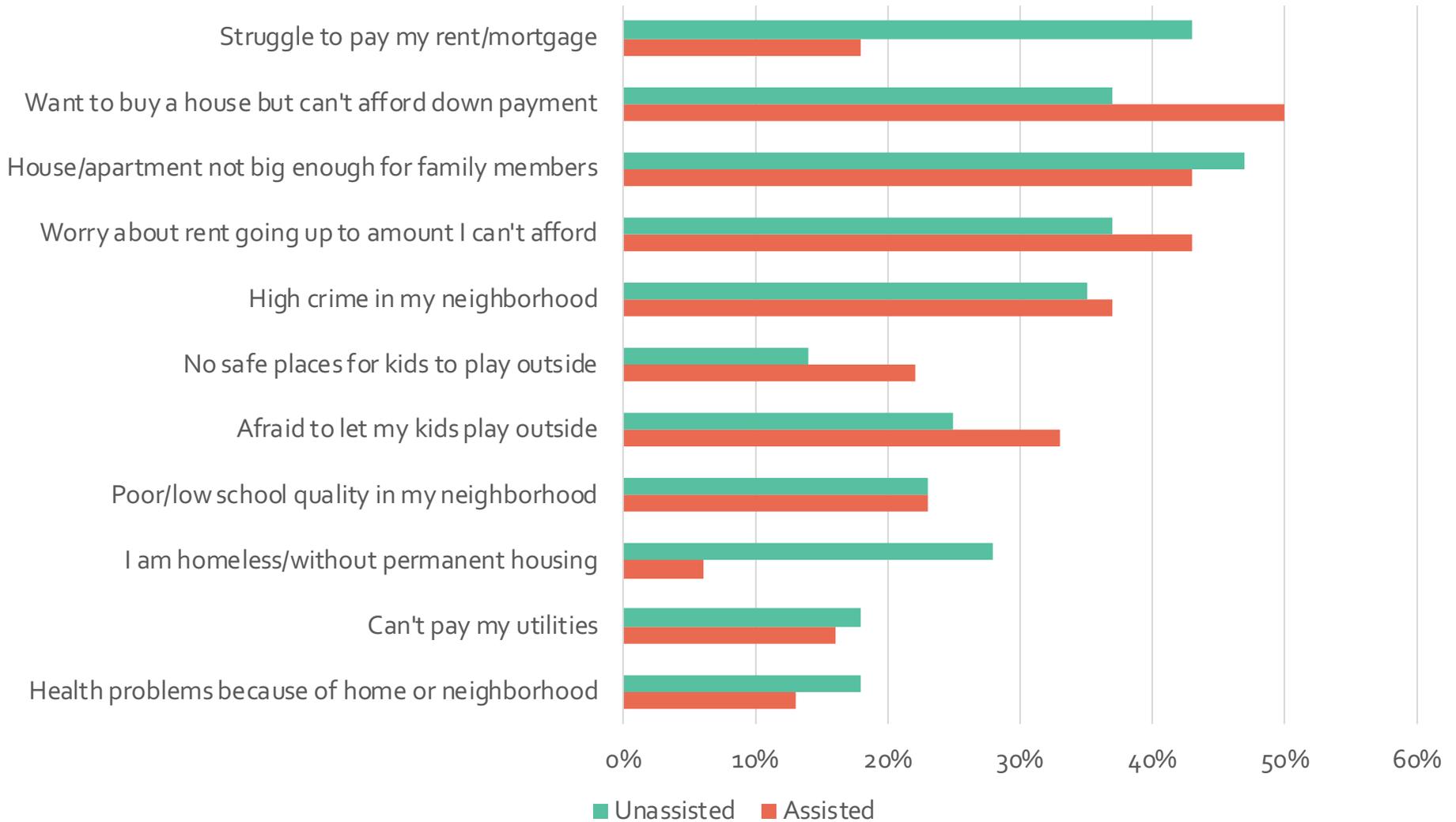# Truths about the Benefits of Housing Stability

Research consistently shows:

1. Housing stability raises household incomes

2. Housing stability improves mental and physical health

3. Housing stability produces positive outcomes for children

In sum, housing stability benefits public sector, although some of the benefits are very modest and will not be realized immediately

Evidence in Raj Chetty's body of work. We also did a recent survey in Baltimore... see next slide

Challenges in Housing Situation or Neighborhood

Struggle to pay my rent/mortgage

Want to buy a house but can't afford down payment

House/apartment not big enough for family members

Worry about rent going up to amount I can't afford

High crime in my neighborhood

No safe places for kids to play outside

Afraid to let my kids play outside

Poor/low school quality in my neighborhood

I am homeless/without permanent housing

Can't pay my utilities

Health problems because of home or neighborhood

0%   10%   20%   30%   40%   50%   60%

■ Unassisted   ■ Assisted

If what you said is true, why aren't more communities investing in housing?

1. Low income people rent and have very little influence and bargaining power

2. Return from investment is hard to measure—and probably takes more than an elected officials' term to realize

3. Housing needs benefit the private sector—rental application and mortgage loan fees, development fees, LIHTC legal and consulting fees

What works to address needs?

How to Best Address Needs

- Adopt a housing policy mindset v. solely housing program mindset

- Set a housing affordability goal. It will be lower than your needs

- Create a housing solutions "tool kit"

- Include in the tool kit a local trust fund to address "fixed rental gap" caused by ceiling on federal assistance

How to Best Address Needs (cont)

- Support and strengthen your public housing authority; they are the only game in town when it comes to serving 0-30% MFI households. LIHTC developments will require additional subsidy (aka vouchers) to avoid cost burden

- Lobby federal government for increased commitment to housing funding. The consequences of the federal lack of commitment is more pressure—and negative outcomes—on local government

- Learn from, but do not adopt without study, initiatives in other communities or "policy du jour"

How to Best Address Needs— Policy du Jour

- **Density bonuses.** Will work differently in sub-markets and will not automatically address needs. Structure to produce units that are most needed and which are adequately below market

- **Inclusionary zoning.** Fee-in-lieu and offsite allowances should be exceptions, not options by-right

- **Anti-displacement initiatives.** Outcomes of preference policies are mixed and face legal challenges. Recent research shows that low income renters move regardless of gentrifying pressures. Take away? We need more housing

- **Section 8 protections** produce positive outcomes yet must be properly enforced

What you learned

What you Learned

1. The inelastic nature of housing and investor-dominated market make this a complex problem to solve. Housing policy can no longer be secondary to other local government initiatives

2. Affordable housing needs are most acute for the 0-30% MFI households—in nearly every community. The private sector does not meet this need, nor will an economic softening help address

3. Housing stability produces positive outcomes for the public sector, but they may be long term

4. Don't copy your neighbor's housing policy

Questions?

Feel free to contact me: Heidi Aggeler, heidi@rootpolicy.com

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Accessible Tools to Measure Needs

- HUD's **Assessment of Fair Housing Tool,** tables, range of household needs including concentrations
  https://www.hudexchange.info/resource/4867/affh-data-and-mapping-tool/

- **Cost burden data** available from annual Census surveys (American Community Survey or ACS). Tell "household side" of the story
  https://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml

- **Housing cost data** from ACS; what households pay (including vouchers)

- **Housing needs tables** required by Consolidated Plan and produced through IDIS: Needs Assessment (NA) and Market Analysis (MA); also "household side"

- **Survey** households, conduct focus groups with households, conduct **focus groups** with real estate professionals and developers

- **Commercial surveys of private sector on** rental supply, affordability of homes for sale

- **Biggest challenge?** Housing condition indicators. Code enforcement data, household surveys

"Perfect Storm" caused Rapid Increase in Prices

1. Demographic changes—influx of young adults needing housing, desiring recreation based lifestyles

2. Post-recession pent up demand for housing and low supply

3. "Closed" markets on West and East coasts of the U.S.

4. Hyper concentrated preferences Boomers and Millennials

5. Investor driven (investor owned?) market

6. Years and years of underinvestment by federal government