

## Chapter 3: Affordable Housing

Every community should have a supply of housing sufficient so that those over the entire spectrum of income can find a place to purchase or rent. At a minimum, there should be sufficient housing priced so that the community's teachers, police, and other equally underpaid but highly-valued individuals can afford to live where they work. Programs should also be in place to create an opportunity for the most impoverished community residents to achieve the goal of home ownership.

The U.S. Department of Housing & Urban Development (HUD) defines affordable housing as that which requires no more than 30% of average annual household income.<sup>5</sup> When housing cost exceeds 30% of household income those living in the home have difficulty meeting other needs, such as food, transportation, and health care. HUD estimates that 12 million renter and homeowner households pay more than 50% of their income for housing. HUD also found that a one-income family earning minimum wage cannot afford the rent for a two-bedroom apartment *anywhere* in the United States.

In the report *America's Neighbors: The Affordable Housing Crisis and the People it Affects*<sup>6</sup> the National Low Income Housing Coalition (NLIHC) points out that most statistics underestimate the number of Americans suffering from the affordable housing crisis. This is because the counts are restricted to number of *households* with housing difficulties, not the number of *individuals*. According to the NLIHC report, 95 million Americans - a third of the U.S. population - had housing affordability problems (high cost burden, overcrowding, poor housing quality, or homelessness) in 2001. In fact, 78% of all people with an income below \$50,000 per year had housing problems. About 24% of the U.S. population meets the definition of low-income: *an annual income at or less than 80% of the median for their area*.

Two-thirds of our low-income neighbors have housing problems. Extremely low income people are defined as those with 30% of the median income for the area in which they live. Of the nation's extremely low-income residents, 78% suffer housing affordability problems. Children make up 29% of all low-income people, but 32% of those who are low income and suffering from housing problems are children. Seniors account for 23% of low income residents but only 18% of the low-income population with housing problems.

So what is the solution?

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<sup>5</sup> See <http://www.hud.gov/offices/cpd/affordablehousing/index.cfm>

<sup>6</sup> This report is available for download at: <http://www.nlihc.org/pubs/index.htm#65million>

In a paper entitled *Growth Management, Smart Growth, and Affordable Housing*<sup>7</sup>, Anthony Downs, a senior fellow at the Brookings Institution, identified two basic strategies for expanding the supply of affordable housing. The first strategy seeks to raise income so the poor can afford decent housing. Federal programs intended to achieve this goal include the Earned Income Tax Credit and housing subsidies such as Section 8. The second strategy seeks to reduce the cost of housing by:

- making mortgages and other financing more available or cheaper;
- reduce the cost of creating new housing, without unduly sacrificing quality, by modifying building codes, reducing development review time, and building at higher density to reduce land cost; and
- reduce the size and quality of housing

A number of local governments have enacted programs to increase the supply of affordable housing. One of the earliest and best is the Moderately Priced Dwelling Unit (MPDU) program administered by Montgomery County, Maryland.<sup>8</sup> The Montgomery County MPDU program started in 1974 and requires that 12.5% to 15% of all new homes in subdivisions of 50 units or more be moderately priced. These units are then made available for purchase to renters and first-time home buyers who meet certain income requirements. The MPDUs are currently selling for \$85,000 for a two-bedroom condominium to \$135,000 for a three-bedroom detached house with a basement and garage. When contrasted with the average selling price of \$212,000 and \$364,000 for, respectively, a new townhouse and single-family detached home in Montgomery County, the MPDUs are within the range of affordability for many more people. To offset the impact to the developer, subdivisions with MPDUs receive a bonus density of up to 22%. In other words, if zoning normally allows 100 units on a given site, then up to 122 units can be built if the project includes MPDUs.

Occasionally folks will call CEDS with concerns about a proposed affordable housing project. The list of concerns usually include adverse effects on the value of nearby properties, increased crime, or compatibility issues such as increased through-traffic on residential streets. As will be seen from the following review of relevant scientific research, while these concerns may have some basis in fact, the effects are by no means consistent and each project should be evaluated on its own merits. In those situations where a negative effect is possible, a variety of measures are usually available for resolving the impact.

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<sup>7</sup> This paper can be viewed at: [http://www.brookings.edu/views/speeches/downs/20030529\\_downs.htm](http://www.brookings.edu/views/speeches/downs/20030529_downs.htm)

<sup>8</sup> For further detail on the Montgomery County, MD MPDU program visit: [http://www.montgomerycountymd.gov/dhctmpl.asp?url=/Content/DHCA/housing/housing\\_P/mpdu.asp](http://www.montgomerycountymd.gov/dhctmpl.asp?url=/Content/DHCA/housing/housing_P/mpdu.asp)

The Habitat for Humanity website contains a review of eleven studies on the relationship between affordable housing and the value of nearby homes.<sup>9</sup> All of these studies found no significant effect. The National Association of Realtors website contains a *Field Guide to Effects of Low Income Housing on Surrounding Property Values*<sup>10</sup>, which is actually a collection of papers and articles on the topic. In *A Review of Existing Research on the Effects of Federally Assisted Housing Programs on Neighboring Residential Property Values*<sup>11</sup> the author found that the effect of low income housing can be positive or negative depending upon several variables, such as the value of homes in the surrounding area, the density of low-income housing units created within the area, and the proximity of the low-income units to existing households. University of Wisconsin researchers concluded that low-income housing only has a negative effect on property value when they are built in areas of concentrated poverty.<sup>12</sup>

Early experiments in creating affordable housing occasionally resulted in increased crime and other problems. Foremost among these failed experiments were the housing projects of the inner city. These projects created pockets of poverty where a lack of jobs, access to good schools, and a plethora of other problems led to hopelessness and high crime rates. Today, most affordable housing projects strive to disperse homes for moderate- to low-income people throughout a community and strive for locating housing near jobs and public transportation. The potential for crime can be further reduced through techniques such as Crime Prevention Through Environment Design (CPTED), which is described in the chapter on *Crime*.

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<sup>9</sup> See the Habitat for Humanity review of affordable housing-property value studies at: <http://www.habitat.org/how/propertyvalues.html>

<sup>10</sup> To view the *Field Guide to Effects of Low Income Housing on Surrounding Property Values* go to: <http://www.realtor.org/libweb.nsf/pages/fg504>

<sup>11</sup> To view the report *A Review of Existing Research on the Effects of Federally Assisted Housing Programs on Neighboring Residential Property Values* go to: [http://www.realtor.org/Research.nsf/files/galsterreport2.pdf/\\$FILE/galsterreport2.pdf](http://www.realtor.org/Research.nsf/files/galsterreport2.pdf/$FILE/galsterreport2.pdf)

<sup>12</sup> The University of Wisconsin study can be downloaded from the National Association of Realtors website at: [http://www.novoco.com/Research\\_Center/uw\\_study.pdf](http://www.novoco.com/Research_Center/uw_study.pdf)