

Housing Diversity: Supporting Community and Economic Stability

Prepared by Erik Kingston, PCED. Contact erikk@ihfa.org | October 1, 2020 | idahohousing.com

Visit our [COVID19 resource page](#) to find eviction prevention options for landlords and tenants



What you need to know about housing

Homes make communities possible. To be sustainable* housing must be affordable and accessible to all residents—first responders, seniors or retirees, working families and professionals, and those living with disability. *Healthy housing infrastructure reflects the needs and incomes of real people.*

The aim is to support *community housing choices*[†] within reach of people who:

- *work for a living—at all wage levels;*
- *provide essential community services;*
- *engage in community and civic activities; and/or*
- *spend their retirement years and incomes locally*

“Idaho needs more homes within reach of our workforce, families, and friends.”

Economic development role. Housing affordability supports [sustainable](#) economic development, representing a *perpetual wage subsidy* for local employers and *net salary increase* for working households—benefits that remain in the local community as long-term assets. Think of local housing stock as *critical infrastructure*; essential to a recruitment and retention strategy for outside investment, good-paying jobs and dynamic *workforce development*. Employers know a stable *local* labor force is important for productivity, planning, and competitiveness; they also know long commute times and financial strain can impact job performance and reliability.

“Employers know that housing is where jobs go to sleep at night.”

[†]Housing choice = economic opportunity. Fair housing laws give Americans the right to live where we choose and where we can afford. This ‘housing choice’ affects access to essential community assets such as health care, education, food, government, law enforcement, retail and recreation. Policies distributing housing types/prices across neighborhoods, communities and regions—thereby supporting access to services—are more defensible in the long run. Always include the needs, incomes, and voices of diverse community members when discussing, reviewing or revising comprehensive plans, zoning ordinances, development applications, etc.

***sustainable** used here means enduring forever—just like Idaho’s state motto [esto perpetua](#)

Affordability = stability. Since the National Housing Act of 1937, housing costs below 30% of household income have been considered *affordable*. When housing costs exceed 30%, households are *cost burdened*; if they exceed 50%, households are *severely cost burdened*.

This puts households at risk with negative consequences for families and communities. Alternately, we measure *residual income*—household resources available for housing after other essential costs are met. Recent analysis shows a rise in *foregone spending*—money flowing out of the economy as a result of cost burden—**an estimated \$670M loss for Idaho in 2018**.

We all benefit from diverse housing markets. When working households, retirees and others can comfortably meet basic costs associated with local housing, they have more time, money and energy to invest locally. Communities benefit from less traffic, more stability, and engaged residents. School and job attendance go up, while public costs associated with community health and safety go down. Stable households are better able to build *social capital* and cultivate supportive networks essential to economic mobility and opportunity, which in turn reduces their reliance on social programs or public assistance.



“Stable housing lets each of us build the ‘social capital’ needed to reach our full potential.”

Housing + Utility + Transportation (HUT) Index. Housing is made affordable by increasing household incomes or lowering the *HUT index*, where *Housing + Utilities + Transportation = the net cost of housing choice and location*. Creating sustainable housing assets means focusing on location, quality and performance to reduce life-cycle and household costs. Utility costs can be extremely variable and significant in homes built when energy and efficiency were undervalued.

Local needs require local partners and solutions. A sustainable and diverse range of housing options starts with understanding housing’s role in economic and community development; it also requires teamwork among interested parties. These include housing, community and economic development professionals, policy makers, building officials, planners and developers, people with disabilities, seniors (and seniors in training), along with business, corporate, neighborhood, and community leaders who identify local needs and define the scope and direction of planning efforts.

Idaho’s housing crisis limits workforce development. Employers throughout Idaho say the lack of housing options means they can’t recruit or retain the workers they need—from health care, education or retail, to construction trades or first responders. *We’re all affected.*

Five takeaways:

- *Healthy housing markets are like ecosystems—diversity equals strength*
- *Housing types and prices that reflect the needs and incomes of local residents create healthy, stable communities and economies.*
- *Housing that is affordable to a range of incomes serves as a perpetual wage subsidy to all local employers.*
- *Workers effectively provide a subsidy to employers and customers by commuting or living in substandard housing to provide services at a price we consider affordable.*
- *Housing that accommodates students, retirees, seniors or persons living with disability helps families, knowledge and incomes stay put.*

Preserving and Expanding Housing Diversity

Conservation and preservation matter. We all know the most cost-effective energy investment is in *negawatts*—energy saved through conservation. Likewise, every community has what's called *naturally occurring* or *legacy* affordability. Legacy housing typically has limited or no debt, reflects lower construction costs, and contains significant *embodied energy*.

Preserving existing affordability is like patching the holes in a leaky bucket before trying to fill it. Communities that fail to preserve affordability risk externalized social costs.

Conversion, gentrification and speculation erode affordability. Converting legacy housing to investment property, luxury units or short-term rentals erodes affordability and further limits housing choices. New ownership means new financing costs and higher rents, and—like house flipping—means more holes in the bucket.

New construction costs and supply or demand. Labor and material costs are part of the housing equation as are high land prices in locations served by public investment and infrastructure. This means we can't simply build our way out of a housing shortage. The laws of supply and demand don't apply equally to housing and corn, so building more high-cost housing in one neighborhood may increase overall supply, but doesn't always mean housing costs will fall elsewhere.

Sample Strategies

Land banking. Local government, school and highway districts, churches and private employers should proactively inventory, protect/acquire and designate key parcels for mixed-used and workforce/affordable residential development. Land near transit hubs, employment centers and services is an essential asset.

Remove land costs from the equation. *Community land trusts*—or *housing trusts*—hold land in trust via a public or nonprofit entity. Land is leased to qualifying homeowners, who own the improvements and build equity. Alternately, the trust may develop rental housing for households with specific income ranges or essential community workers, preserving long-term affordability.

Impact and crowd investment. Federal funds involve legal and regulatory requirements that can push the cost per unit to over \$220K and require large developments. Impact or crowd investing can yield positive, measurable impacts alongside a financial return. This market-based approach to financing 'missing middle' or neighborhood-friendly residential development can reduce costs and allow local investment. Distributing smaller-footprint projects across communities can also reduce opposition.

Engage local employers. Remember that diverse housing types and price points represent both a perpetual wage subsidy and valuable recruitment and retention tool for local public and private employers. *Workforce development* and productivity depend on an adequate supply of *workforce housing*—*workforce* includes all who work for a wage. Employers can partner with other stakeholders to finance and develop housing units that meet the needs of key staff positions and wages.

Cooperative tenant ownership. Housing cooperatives reflect a priority for housing stability in many countries and states. Tenants form cooperatives and secure government-backed or private financing to purchase or build housing with a mix of private and shared space. This expands ownership opportunities and builds equity for more households, while offering flexible living arrangements and expanding residential capacity.

Re-think residential codes. Revise minimum lot size and square foot requirements—along with fees, occupancy limits and household definitions—to support small-footprint residential, Accessory Dwelling Units (ADUs), and other strategies to reduce costs and increase housing diversity. These strategies serve the health, welfare and safety of communities best when they preserve local control over the housing market. Outside and institutional speculative investors can undermine local interests and values.

Local Housing Solutions. A great online housing explainer is at localhousingsolutions.org. From basics to understanding and shaping policy, this site presents clear, simple and practical videos and summaries.



Housing Market Realities: Where We Are and How We Got Here

Prepared by Erik Kingston, PCED. Contact erikk@ihfa.org

Key Factors, Trends, and Ripple Effects:

Shifting Priorities. After WWII, federal housing finance and urban renewal policy aimed to raise living standards for urban dwellers through ‘bigger, better’ housing. The feds—and private lenders—shifted support from downtown residential and mixed-use to suburbs. Freeways displaced urban neighborhoods as race-based redlining and restrictive zoning ordinances evolved.

Larger suburban homes separated from employment centers increased traffic and commuting costs to move the workforce. See the ‘Housing Transportation Affordability Index.’ htaindex.cnt.org

Housing Financialization. Subsequent changes in tax policy and investment patterns meant housing was seen increasingly as a commodity. Speculation led to housing costs inflating at a faster rate than incomes. In the years since the recent housing market crash, several factors have contributed to current challenges:

- Institutional and foreign investors now use housing markets to launder money or extract revenue. This remote control of residential markets undermines local accountability and siphons rent from the local economy, while shifting displacement costs to locals.
- As primary markets overheat, investment activity moves to (and inflates) secondary markets in places like Idaho. Think private equities/hedge funds and REITs (Real Estate Investment Trusts).
- Homeowners found themselves underwater as prices crashed and foreclosures ballooned. Large investors purchased and converted them from owner-occupied homes to increasingly costly rentals.
- Former owners joined existing renters, increasing demand for a housing supply either held in limbo by banks or investors who paid pennies on the dollar.
- Rising prices triggered a new wave of ‘flipping’ (i.e., selling a home within 12 months of purchase). Windermere Chief Economist Matthew Gardner calls flipping as a ‘precursor and contributor to a housing bubble.’ —10/10/17 Economic Summit, JUMP

Other factors influencing rental *supply and demand* and costs include conversion of primary residential units to short-term rentals, limited federal support for housing, industry emphasis on higher-cost residential development, and purchase/conversion of affordable multifamily complexes driving rents up and tenants out. Increased density without conditions that ensure long-term community benefits may also increase costs.

Rental Vacancy Rates (RVRs)

The percentage of residential property available for rent. A ‘healthy’ RVR is between 5% and 6%, which balances supply and demand. Pre-recession RVRs in Treasure Valley markets were in the low-to mid teens. Since 2015, these and other markets are now consistently below 1%. This drives up rents and limits housing choices for full-time workers earning less than \$20/hour, seniors and others on fixed incomes. **The statewide RVR* has declined steadily from 5.47% in Q4 2011.**

County	Available Units	Total Units	RVR*
Ada	3	6075	0.05%
Adams	0	38	0.00%
Bannock	6	429	1.40%
Bear Lake	2	170	1.18%
Benewah	0	38	0.00%
Bingham	1	537	0.19%
Blaine	0	348	0.00%
Boise	0	24	0.00%
Bonner	2	356	0.56%
Bonneville	8	1698	0.47%
Boundary	0	16	0.00%
Butte	0	29	0.00%
Camas	0	2	0.00%
Canvon	11	2245	0.49%
Caribou	2	58	3.45%
Cassia	8	364	2.20%
Clearwater	0	32	0.00%
Custer	9	57	15.79%
Elmore	1	324	0.31%
Franklin	0	49	0.00%
Fremont	1	53	1.89%
Gem	0	111	0.00%
Gooding	0	125	0.00%
Idaho	3	101	2.97%
Jefferson	1	188	0.53%
Jerome	0	354	0.00%
Kootenai	26	2174	1.20%
Latah	3	534	0.56%
Lemhi	0	74	0.00%
Lewis	0	1	0.00%
Lincoln	0	4	0.00%
Madison	2	454	0.44%
Minidoka	0	178	0.00%
Nez Perce	0	528	0.00%
Oneida	0	1	0.00%
Owyhee	0	62	0.00%
Payette	0	320	0.00%
Power	0	124	0.00%
Shoshone	0	146	0.00%
Teton	0	111	0.00%
Twin Falls	37	1668	2.22%
Valley	1	157	0.64%
Washington	0	206	0.00%
*Statewide	127	20,563	0.62%

*Source: housingidaho.com 10/1/20 (mostly multifamily and affordable to household income equivalents up to \$20/hr FT)