Housing Diversity: Supporting Community and Economic Stability

Prepared by Erik Kingston, PCED. Contact erikk@ihfa.org | *February 4, 2022* | 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, available and accessible to all residents—first responders, seniors or retirees, families, professionals, and people living with disabilities. *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."

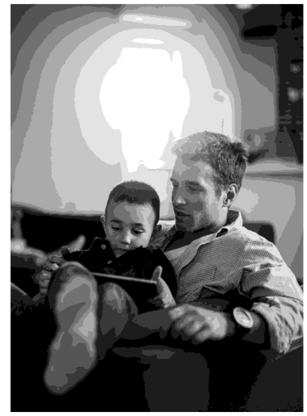
Economic development role. Housing affordability supports sustainable economic development in many ways. Employers have an interest in providing living wages and supporting diverse housing types and price points near employment centers. They know a stable local labor force is important for productivity, planning, and competitiveness, and that long commute times and financial strain can impact job performance and reliability. Economic development professionals also recognize housing as critical infrastructure—like schools, broadband and health care—essential to a recruitment and retention strategy for outside investment, good-paying jobs and dynamic *workforce development.*

Fair housing choice = economic opportunity. †Fair housing laws give us all the right to live where we choose and can afford. This 'housing choice' affects access to essential community assets such as health care, education, food, government, law enforcement, retail and recreation. Policies that distribute housing types and prices across neighborhoods, communities and regions—and support access to services—create community stability and economic vitality. Always include the needs, incomes, and voices of diverse populations when discussing or revising comprehensive plans, zoning ordinances or development applications. See video explainers at IHFA's YouTube channel.

Inclusive design gets customers in the door. Residential construction that reflects basic *visitability* standards reaches a broader market and lets us all age in place. This reduces overall housing costs, saves tax dollars and improves community cohesion and quality of life. Learn more: inclusivedesign

****sustainable** used here means enduring forever—just like Idaho's state motto esto perpetua*

*****70% of Idaho jobs pay under $20/hour** and support rents **less than $1,040/mo;** an FTE at **$12/hr** can afford **less than $624/mo;** a **minimum-wage** worker can afford **less than $377/mo.*** See reports.nlihc.org/oor/idaho



Affordability = stability. Since the National Housing Act of 1937, housing costs below 30% of household income have been considered *affordable*. When 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.

Public subsidy to private equity. Residential speculation and inflation means a rise in *foregone spending*—money lost to our economy and tax base owing to *housing cost burden*—**an estimated $971M loss for Idaho in 2020**. Housing displacement and instability caused by inflation have triggered a wave of *first-time homelessness* with significant individual and social costs. Acknowledging externalized costs is key to sound policy.

Diverse housing markets benefit everyone. 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.

NIMBY opposition to affordability or density can increase costs and often has a 'disparate impact' on protected classes, perpetuating the effects of discriminatory redlining. Developers have successfully sued communities that reject otherwise compliant developments when discriminatory permitting policies or practices are evident.

"Stable housing lets each of us build the 'social capital' needed to reach our full potential."

Rent + Utility + Transportation (R.U.T.©) Index. Housing is made affordable by increasing household incomes or lowering the *RUT index,* where *Rent + Utilities + Transportation = the net cost of housing condition, efficiency and location.* Creating sustainable housing depends on location, quality and performance to reduce life-cycle and household costs. Utilities costs vary significantly 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.

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

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

Takeaways:

1. Healthy housing markets are like ecosystems—diversity equals strength and durability
2. Housing that reflects needs and incomes of locals creates community and economic health
3. Workers provide a subsidy to employers and customers by commuting long distances or living in substandard housing to provide services at a price we consider affordable
4. Housing that accommodates essential workers, students, retirees, seniors or persons living with disability helps families, knowledge and incomes stay put
5. We can make housing "affordable" one of two ways:
   - ***Increase wages indefinitely*** *to keep pace w real estate speculation and inflation*
   - ***Subsidize employers/wages*** *w project- or tenant-based supports (using taxes)*

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 will bear increasingly higher 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, supply or demand. Labor, material and NIMBY costs are part of the housing equation as are high land prices in areas 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 spot may increase overall supply, but doesn't mean housing costs will fall elsewhere. Again, new housing should be visitable to support inclusive and equitable neighborhoods and aging in place.

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. Establish a community fund to purchase tax-delinquent properties each year to support a local housing strategy. 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. Learn more.

Impact and crowd investment. Federal funds involve legal and regulatory requirements that can inflate the cost per unit 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,' neighborhood-friendly residential development can reduce costs and allow local investment. Distributing smaller-footprint projects across communities can also reduce opposition. Models: Small Change, Guerrilla Development, or Sister City

Engage local employers. Remember that diverse housing types and price points represent both a perpetual income boost 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 value for housing stability in many countries and states. Tenants form cooperatives and secure government-backed or private financing to secure housing with a mix of private and shared space. Like resident-owned communities, this expands ownership opportunities and builds equity for more households, while offering flexible living arrangements and preserving residential capacity.

Re-think residential codes. Revise minimum lot size and square foot requirements—along with fees, occupancy limits and household definitions—to support 'Gentle Density' in the form of small-footprint residential, Accessory Dwelling Units, 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 institutional or speculative investors can undermine local interests and lack any local accountability.

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.

2021 Rural Housing Considerations. (see Housing Challenges and Strategies and Whose Home on The Range?)

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

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

Key Factors, Trends, and Consequences:

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 R-1 zoning ordinances evolved.

Larger suburban homes separated from employment centers led to increased traffic and commuting costs. See 'Housing Transportation Affordability Index.' htaindex.cnt.org

Housing Commodification. Under Article 25 of the Universal Declaration of Human Rights, *Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, **housing** and medical care...*

Tax policy and investment patterns treat housing as a commodity, not a human right. Speculation means housing costs rise at a faster rate than incomes. Since the 2009 housing market crash, several factors created challenges:

- Institutional and foreign investors use housing markets to launder money or generate profits— without adding value to communities. This remote control of residential markets undermines local accountability, siphons rent streams from local economies, and shifts costs to locals.
- As primary markets overheat, investment activity moves to (and inflates) secondary markets in places like Idaho. Think private equity or Real Estate Investment Trusts.
- 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 converting primary residential units to short-term rentals, federal support for housing, industry emphasis on higher-cost residential rental development, and the purchase and conversion of affordable multifamily complexes, which drives rents up and tenants out.

Increased density is a common approach to address shortages, although without conditions that ensure long-term community benefits or accountability, density can increase and shift costs to local residents.

8/31/21. Boomtown of today "Boise home prices are **80.7% higher** than researchers would expect them to be based on prices of the last 25 years."

Rental Vacancy Rates (RVRs)

The percentage of residential property available for rent. A 'healthy' or competitive RVR is 5–7%, 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 have been 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. **Idaho's statewide RVR* has declined steadily from 5.47% in Q4 2011.**

County	Available Units	Total Units	RVR*
Ada	78	6138	1.27%
Adams	0	38	0.00%
Bannock	3	429	0.70%
Bear Lake	2	169	1.18%
Benewah	0	38	0.00%
Bingham	1	537	0.19%
Blaine	3	383	0.78%
Boise	0	25	0.00%
Bonner	1	357	0.28%
Bonneville	57	1769	3.22%
Boundary	0	16	0.00%
Butte	0	29	0.00%
Camas	0	2	0.00%
Canyon	5	2298	0.22%
Caribou	2	60	3.33%
Cassia	2	323	0.62%
Clearwater	0	32	0.00%
Custer	5	57	8.77%
Elmore	0	324	0.00%
Franklin	0	49	0.00%
Fremont	0	53	0.00%
Gem	0	111	0.00%
Gooding	0	125	0.00%
Idaho	3	94	3.19%
Jefferson	1	192	0.52%
Jerome	4	353	1.13%
Kootenai	22	2173	1.01%
Latah	4	541	0.74%
Lemhi	0	74	0.00%
Lewis	0	8	0.00%
Lincoln	0	4	0.00%
Madison	0	485	0.00%
Minidoka	0	219	0.00%
Nez Perce	0	527	0.00%
Oneida	0	1	0.00%
Owyhee	0	62	0.00%
Payette	0	320	0.00%
Power	0	124	0.00%
Shoshone	1	147	0.68%
Teton	0	111	0.00%
Twin Falls	10	1618	0.62%
Valley	1	162	0.62%
Washington	0	206	0.00%
*Statewide	205	20783	0.99%

**Source: housingidaho.com 2/4/22 (primarily multifamily and affordable to household income equivalents up to $20/hr FT)*