

The Brookings Institution

Metropolitan Policy Program
Bruce Katz, Director



Rethinking Affordable Housing Strategies

Housing Charlotte 2007
February 22, 2007



"As the devolution of housing policies continues to unfold, there is great potential for state and local leaders to build upon the experience of the past while bringing fresh thinking to a new generation of approaches."



CENTER ON URBAN AND METROPOLITAN POLICY
THE BROOKINGS INSTITUTION
AND THE URBAN INSTITUTE

Rethinking Affordable Housing Strategies: An Action Agenda for Local and Regional Leaders

Bruce Katz and Margery Austin Turner¹

Housing policies and programs have undergone a dramatic transformation in the past several decades. The greatest change has been the federal devolution of affordable housing programs to state and local leaders, often in partnership with the private sector. This devolution, coupled with major market and demographic changes occurring in local communities, has created wide demand among state and local stakeholders for facts to help them understand "what works" in affordable housing. To that end, the Brookings Institution Center on Urban and Metropolitan Policy and the Urban Institute joined forces to examine the major lessons from 70 years of housing policies and how those lessons can inform local approaches. This action agenda, derived from the findings of that policy review, details seven principles for action to help state and local policymakers, advocates, practitioners, and foundations design more effective housing programs and strategies that truly meet the diverse needs of today's families and communities.

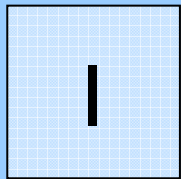
Since the mid-1980s, the nation's affordable housing policies and programs have undergone a profound transformation. After decades of initiatives that were designed by Washington and administered by the U.S. Department of Housing and Urban Development (HUD) and its predecessors, a palpable shift toward state and local control has dominated federal thinking. With the enactment of the Low-Income Housing Tax Credit in 1986 and the HOME program in 1990, federal policymakers essentially devolved responsibility for the design and implementation of affordable housing policies to a myriad of state and local housing agencies.

As with other domestic policies, devolution remains a work in progress. Across the nation, state and local government leaders are struggling to implement federal policies—and to effectively use available resources—in communities with significantly different market conditions, residential patterns, regulatory regimes, and local goals. These leaders—and their partners in the corporate, civic, and real estate communities—routinely ask several questions: What lessons can guide state and local efforts to design and implement effective affordable housing strategies? What affordable housing strategies have proven to be successful? In short, what have we learned from almost seven decades of trial and error in affordable housing policy?

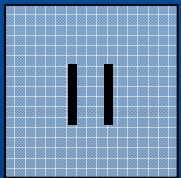
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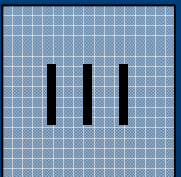
Rethinking Affordable Housing Strategies



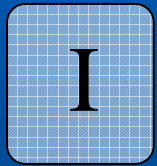
What are the housing challenges in Charlotte?



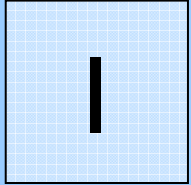
What is a winning affordable housing playbook?



Where does Charlotte, and the nation, go from here?



What are the housing challenges in Charlotte?



What are the housing challenges in Charlotte?

Housing in Charlotte is relatively affordable, but costs are rising

Significant affordability challenges exist, particularly among low-income and minority populations

As a result, housing challenges vary across and within the metro area

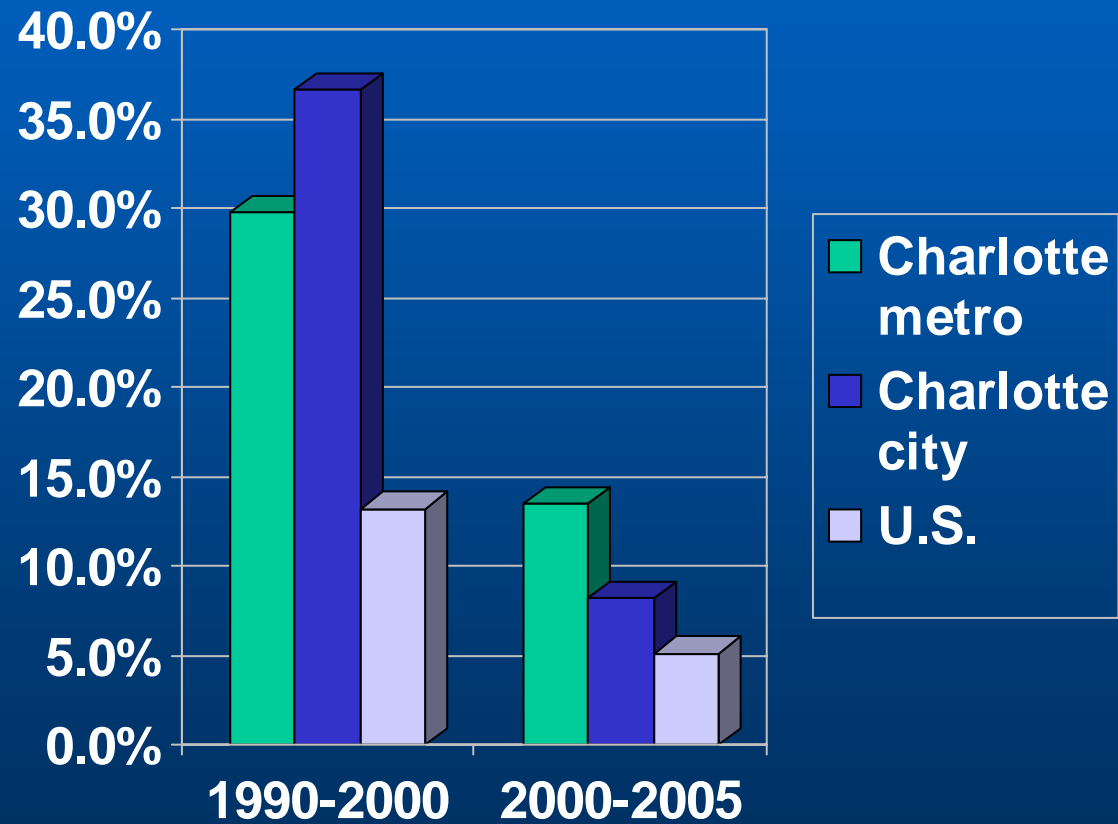


Charlotte has been growing rapidly

Percent population growth

Source:

U.S. Census Bureau





The city and metro area are increasingly diverse

Among the top 100 US cities, Charlotte experienced the:

- 13th largest increase in the white population: up 3.8 percent between 2000-2005
- 9th largest increase in the black population: up 20.3 percent between 2000-2005
- 28th largest increase in the Asian population: up 28.9 percent between 2000-2005
- 8th largest increase in Latino population: up 47.8 percent between 2000-2005

Source:
U.S. Census Bureau



Charlotte is sprawling

In the Charlotte-Gastonia-Concord metro, developable rural land decreased by

- 10.2 percent from 1980 to 1990, and
- 11.1 percent from 1990 to 2000



Charlotte's rent and mortgage burdens were lower than most of the top 100 U.S. metros in 2005

Median Rent as a Percentage of Household Income

69	Louisville, KY MSA	28.8%
70	St. Louis, MO MSA	28.7%
71	Dayton, OH MSA	28.7%
72	Washington, DC MSA	28.6%
73	Charlotte, NC MSA	28.6%
74	Tulsa, OK MSA	28.6%
75	Oklahoma City, OK MSA	28.5%
76	Colorado Springs, CO	28.5%
77	Lakeland, FL MSA	28.5%

Housing Costs as a Percentage of Household Income

56	Rochester, NY MSA	20.8%
57	Houston, TX MSA	20.7%
58	Omaha, NE MSA	20.6%
59	Cincinnati, OH MSA	20.5%
60	Charlotte, NC MSA	20.5%
61	Grand Rapids, MI MSA	20.5%
62	Ogden, UT MSA	20.5%
63	Buffalo, NY MSA	20.4%
64	Jacksonville, FL MSA	20.3%
65	Raleigh, NC MSA	20.3%

Source: U.S. Census Bureau, 2005

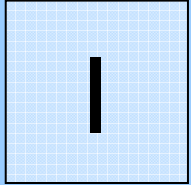


In 2005, the median gross rent in Charlotte was \$704, ranking Charlotte at 50 among the top 100 metropolitan areas

Median gross
rent

Source:
U.S. Census
Bureau, 2005

45	Raleigh-Cary, NC	\$731
46	Albany-Schenectady-Troy, NY	\$719
47	Allentown-Bethlehem-Easton, PA-NJ	\$718
48	Detroit-Warren-Livonia, MI	\$716
49	Fresno, CA	\$710
50	Charlotte-Gastonia-Concord, NC-SC	\$704
51	Houston-Sugar Land-Baytown, TX	\$702
52	Kansas City, MO-KS	\$689
53	Ogden-Clearfield, UT	\$689
54	Milwaukee-Waukesha-West Allis, WI	\$686
55	Lakeland, FL	\$686



What are the housing challenges in Charlotte?

Housing in Charlotte is relatively affordable, but costs are rising

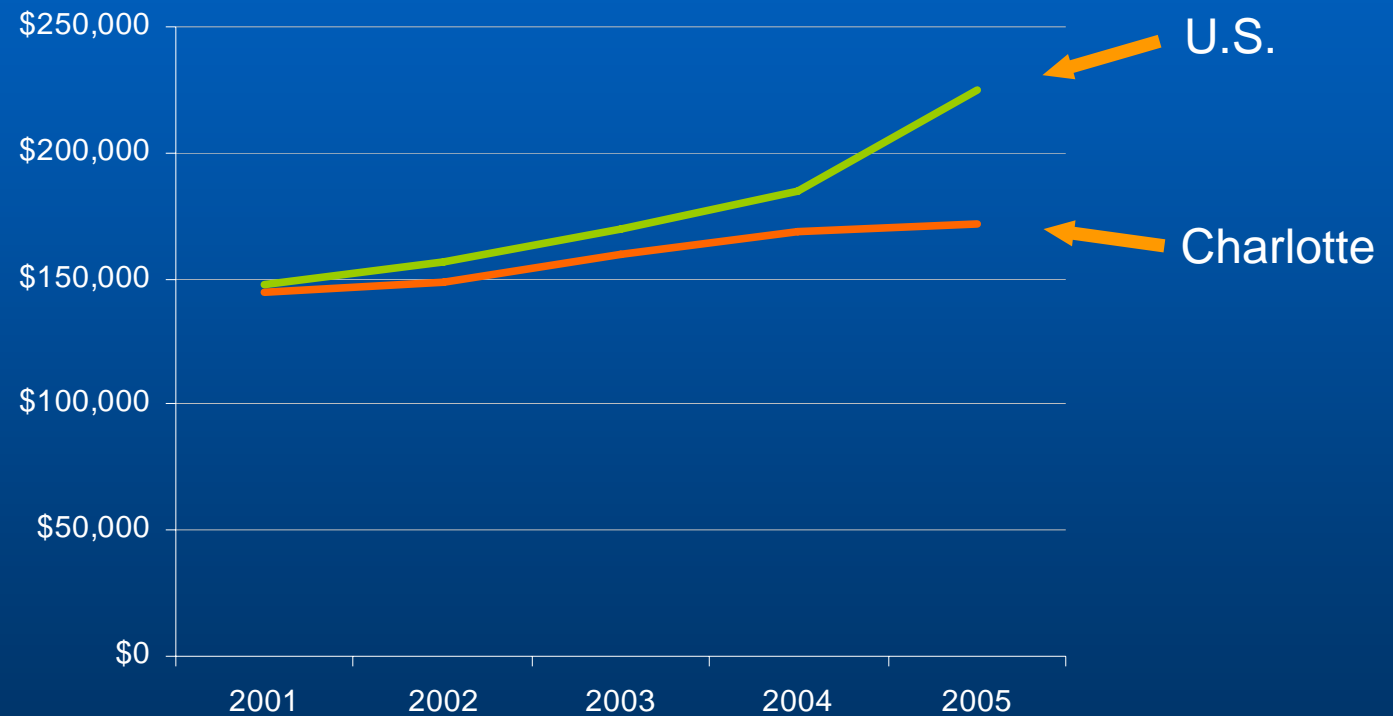
Significant affordability challenges exist, particularly among low-income and minority populations

As a result, housing challenges vary across and within the metro area



The median home price in the region has increased more than 19% in the last 5 years, from \$144,800 to \$171,700

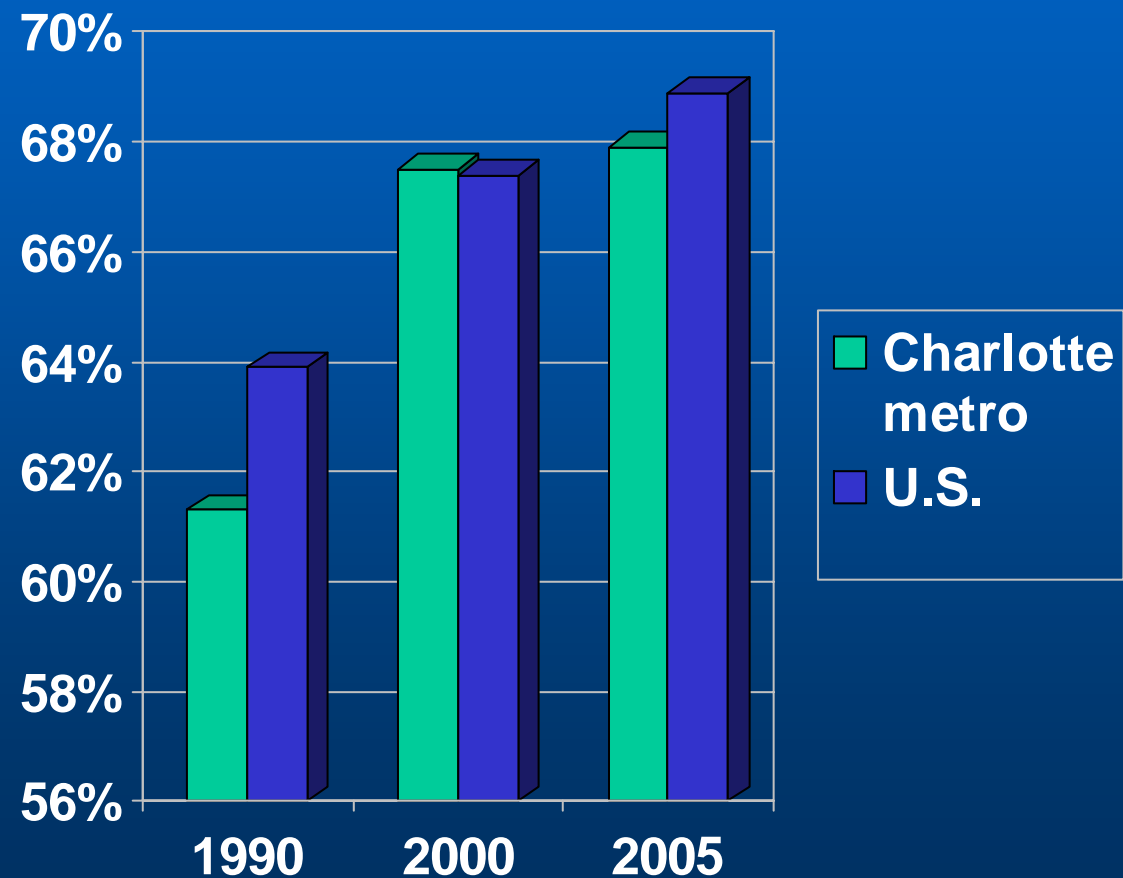
Median home price from 2001 to 2005
Source: National Association of Realtors





And the homeownership rate in Charlotte slipped below the national average in 2005

Homeownership rate, Charlotte metro and the U.S., 1990, 2000, 2005
Source:
U.S. Census Bureau





Charlotte's supply of affordable housing is not keeping pace with employment and population growth

Source:
Robert
Charles
Lesser & Co.

Year	Affordable Housing Demand (Need)	Supply of Affordable Units	Shortage of Affordable Units
2000	30,933	17,887	13,046
2004	23,766	12,493	11,273
2010	28,481	11,798	16,683



For many families, wages are insufficient to keep pace with housing costs. In Charlotte, 106 hours must be worked per week at minimum wage to affordably rent a 2-bedroom apartment

Source:
National Low
Income Housing
Coalition, 2006

Rank	Metro	Hours Needed
51	Hartford, CT HMFA	107
52	San Antonio, TX HMFA	107
53	Kansas City, MO HMFA	107
54	Salt Lake City, UT HMFA	107
55	Charlotte, NC HMFA	106
56	Greensboro, NC HMFA	105
57	Cleveland, OH MSA	105
58	Indianapolis, IN HMFA	104
59	Nashville, TN HMFA	104
60	Charleston, SC MSA	103



This is equivalent to 2.6 full-time jobs

Source:
National Low
Income Housing
Coalition, 2006

Rank	Metro	Jobs Needed
52	Kansas City, MO HMFA	2.7
53	Salt Lake City, UT HMFA	2.7
54	San Antonio, TX HMFA	2.7
55	Hartford, CT HMFA	2.7
56	Charlotte, NC HMFA	2.6
57	Greensboro, NC HMFA	2.6
58	Cleveland, OH MSA	2.6
59	Indianapolis, IN HMFA	2.6
60	Nashville, TN HMFA	2.6
61	Sarasota, FL MSA	2.6



A renter in Charlotte would need to make over \$13/hour full time to be able to *affordably* rent an average 2-bedroom apartment at fair market value

Source:
National Low
Income Housing
Coalition, 2006

Rank	State	Wage Needed
64	Akron, OH MSA	\$13.88
65	San Antonio, TX HMFA	\$13.75
66	Kansas City, MO HMFA	\$13.73
67	Salt Lake City, UT HMFA	\$13.73
68	Charlotte, NC HMFA	\$13.60
69	Greensboro, NC HMFA	\$13.56
70	Cleveland, OH MSA	\$13.50
71	Grand Rapids, MI HMFA	\$13.46
72	Indianapolis, IN HMFA	\$13.33
73	Nashville, TN HMFA	\$13.33



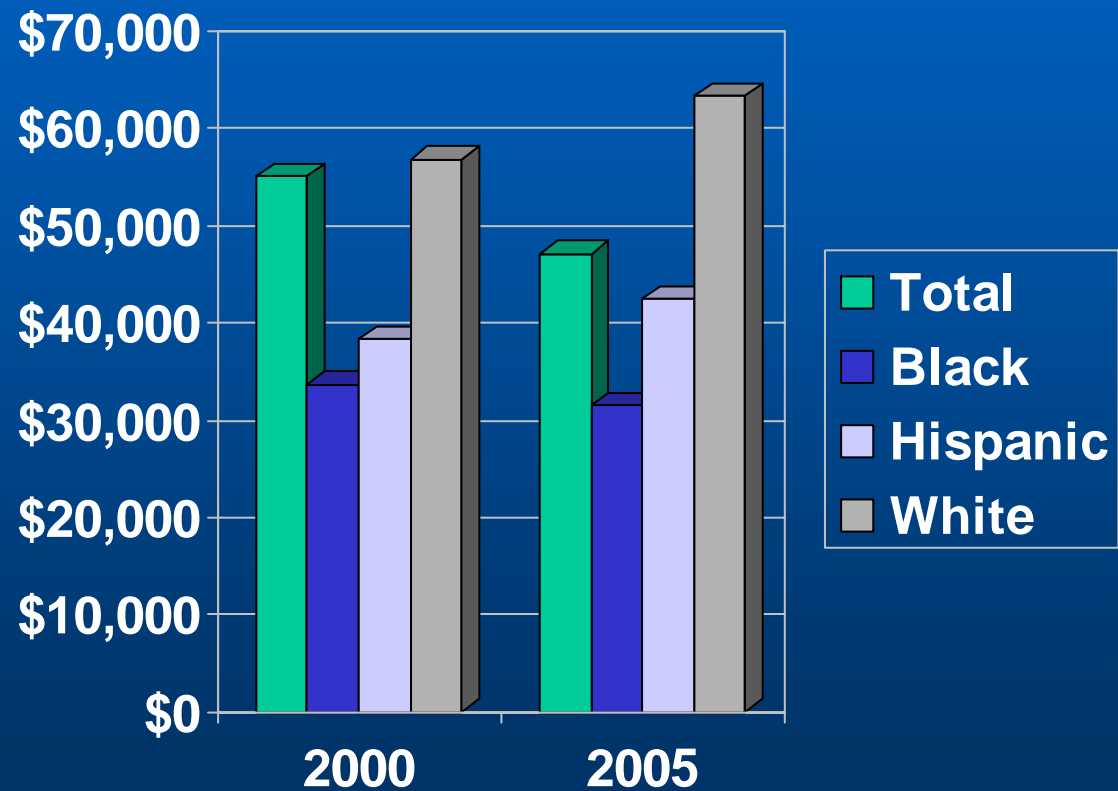
Charlotte's affordability challenge is uneven by income and race

Differences in income levels, poverty rates, and housing costs mean that the nature and extent of the housing challenge differs across the metro



Charlotte has significant racial and ethnic disparity on household income...

Charlotte median household income
Source:
U.S. Census Bureau

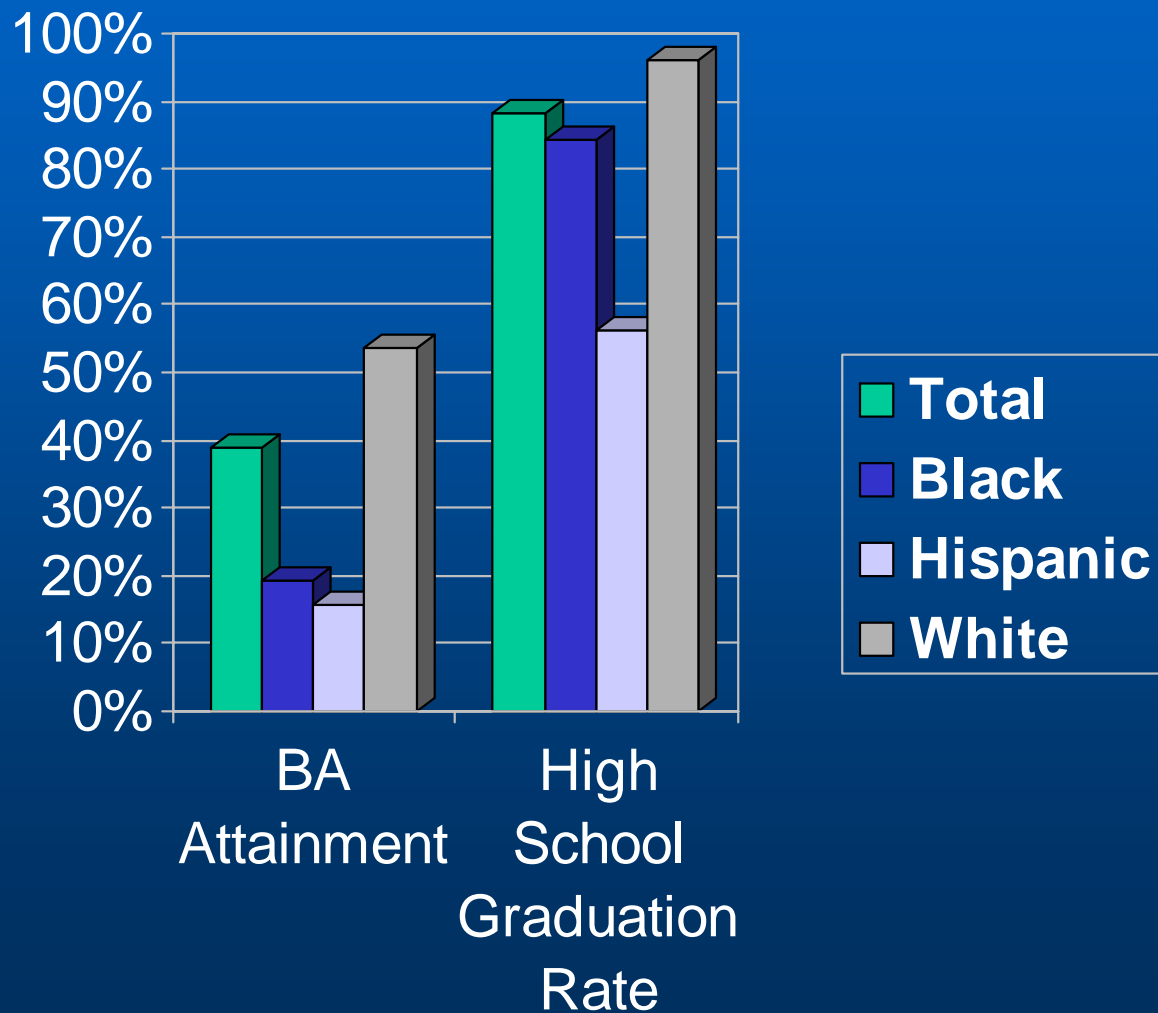




...educational attainment...

Charlotte
educational
attainment

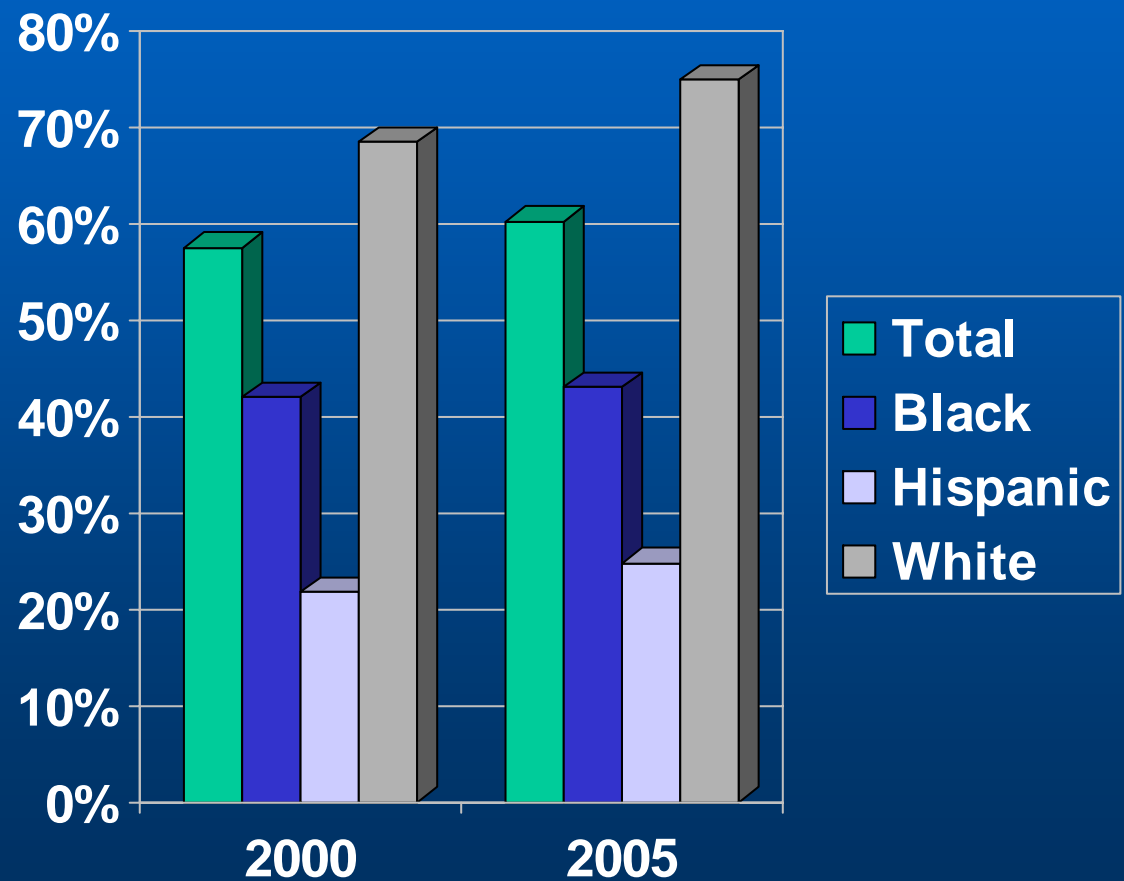
Source:
U.S. Census Bureau





...homeownership...

Charlotte
homeownership rate
Source:
U.S. Census Bureau

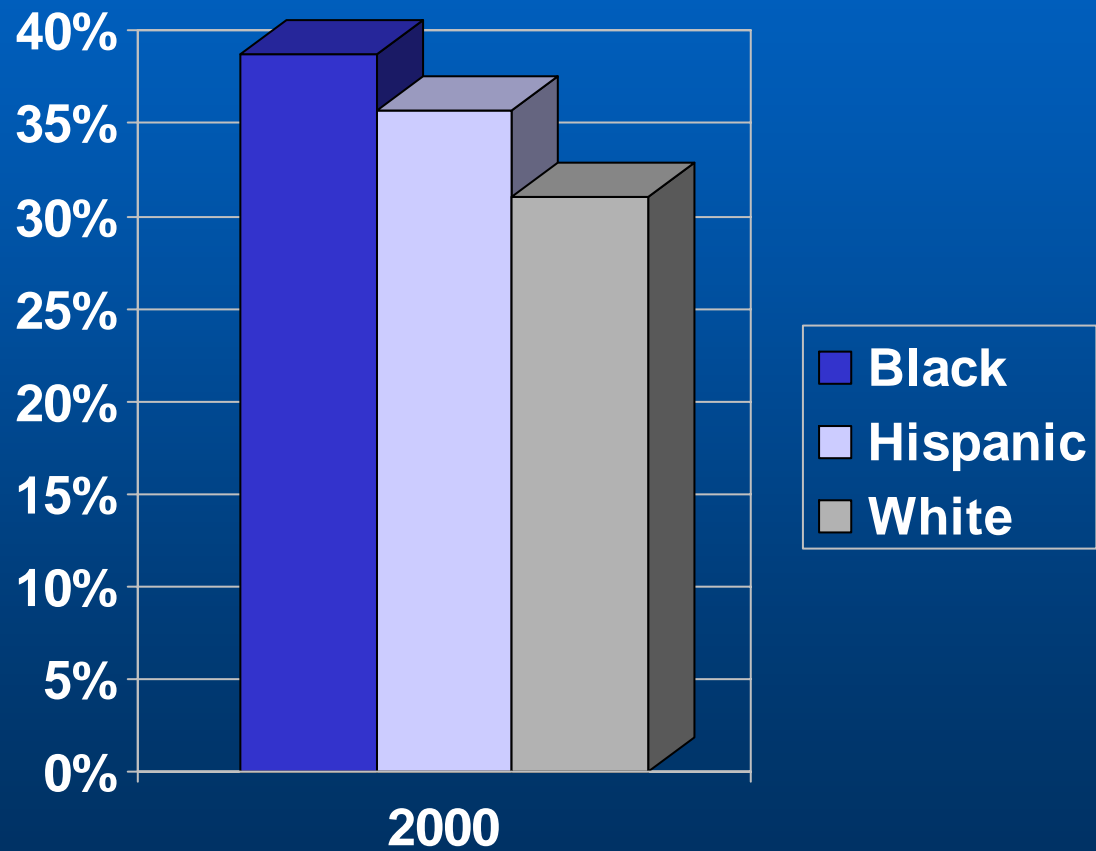


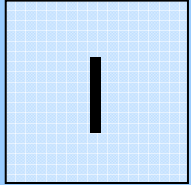


...and rent burden

Percent renter households paying more than 30 percent of income in rent

Source:
U.S. Census Bureau





What are the housing challenges in Charlotte?

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Significant affordability challenges exist, particularly among low-income and minority populations

As a result, housing challenges vary across and within the metro area



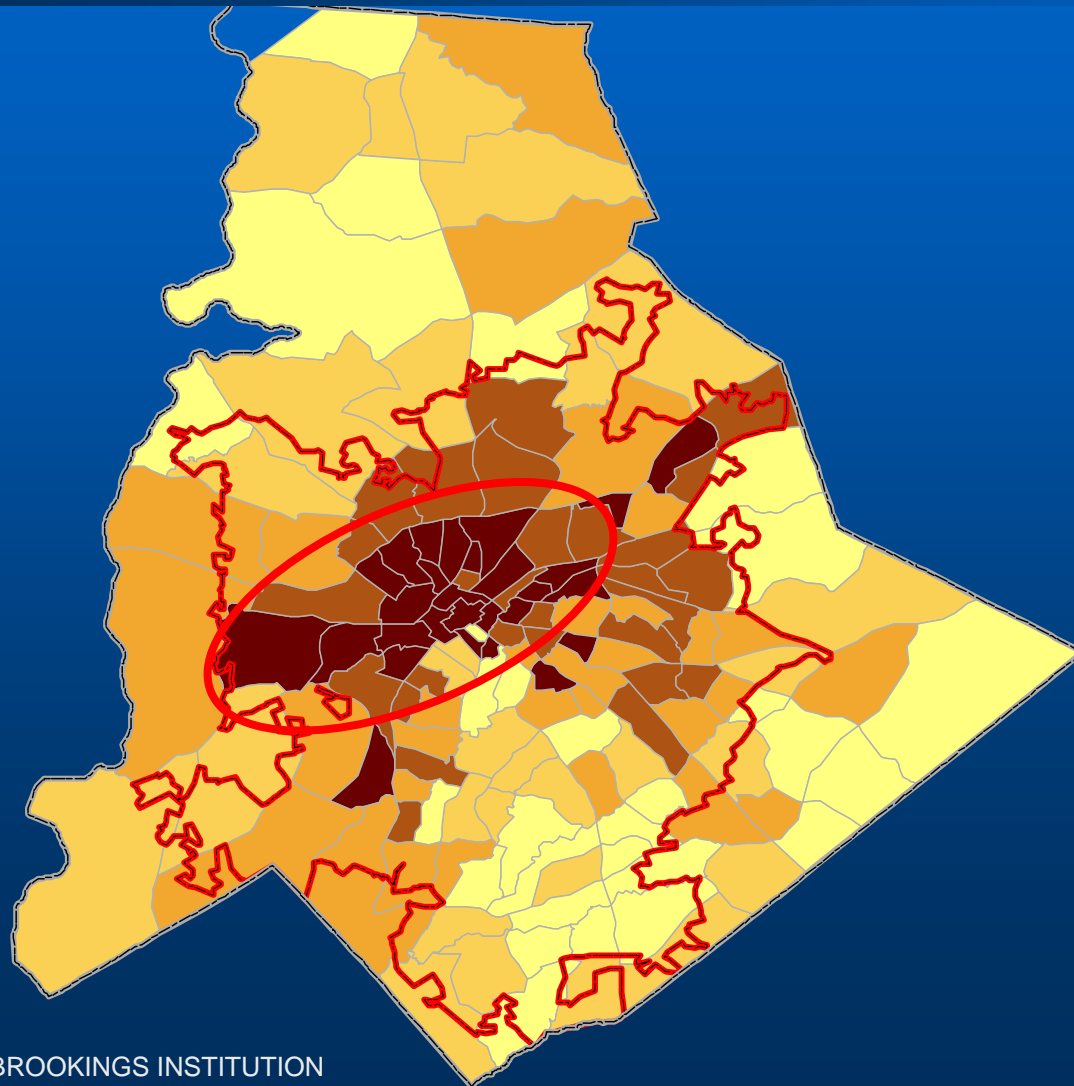
As a result, housing challenges vary across and within the metro area

The clustering of affordable rentals and Section 8 vouchers reinforces concentrations of minority poverty and intensifies the mismatch between rental stock and expanding job opportunities at the neighborhood level

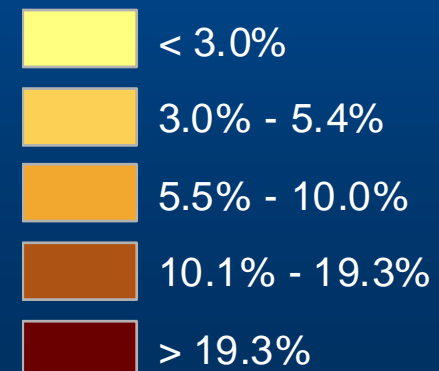


Although the Charlotte metro's overall poverty rate is low, concentrated pockets of poverty still exist

Poverty rate by census tract, 2000
Source: U.S. Census



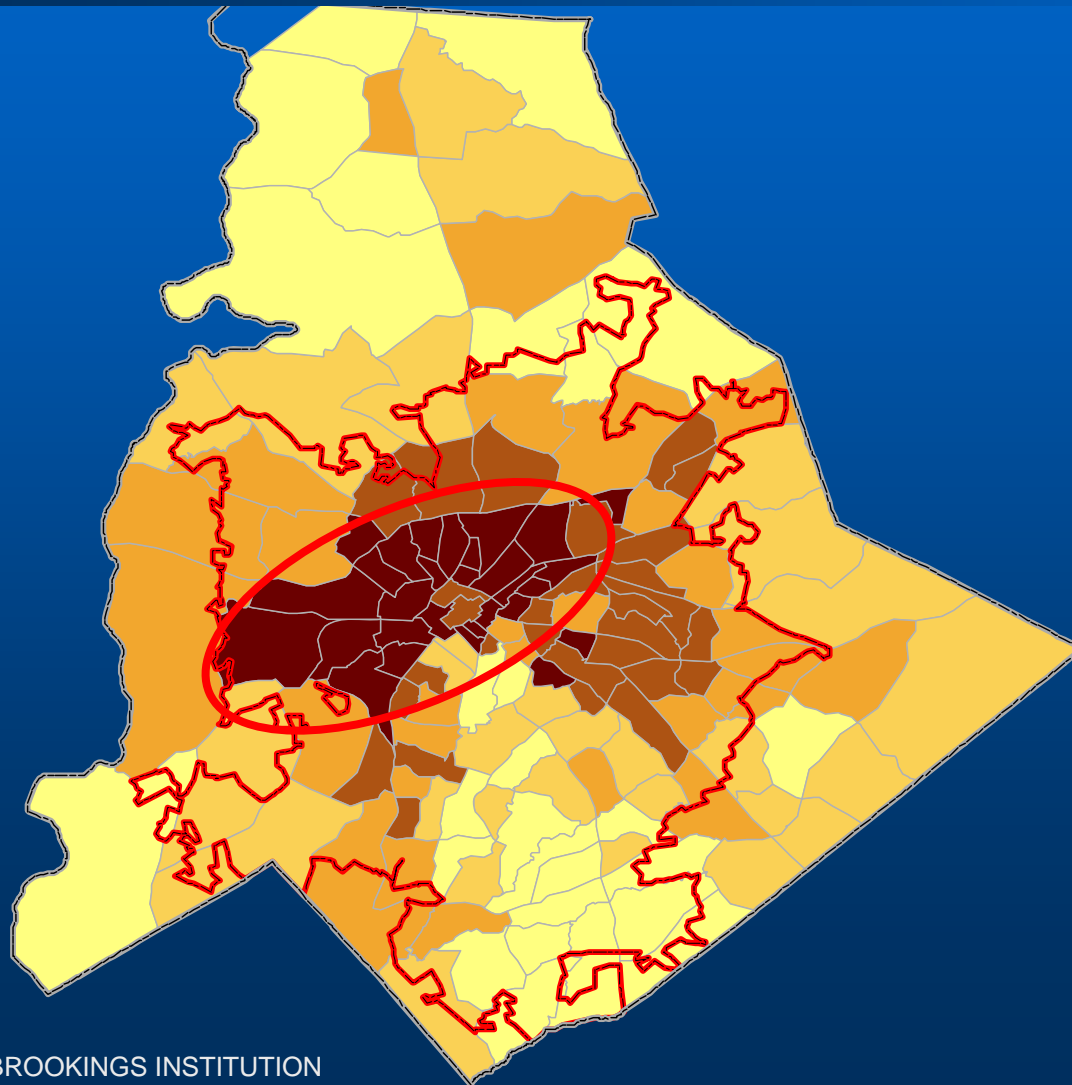
Poverty rate



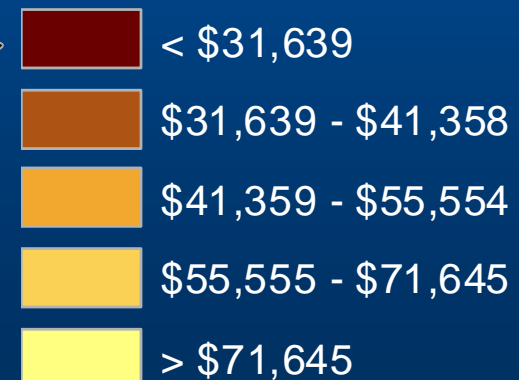


Low-income individuals and families are concentrated heavily in these census tracts...

Household income
by census tract, 2000
Source: U.S. Census

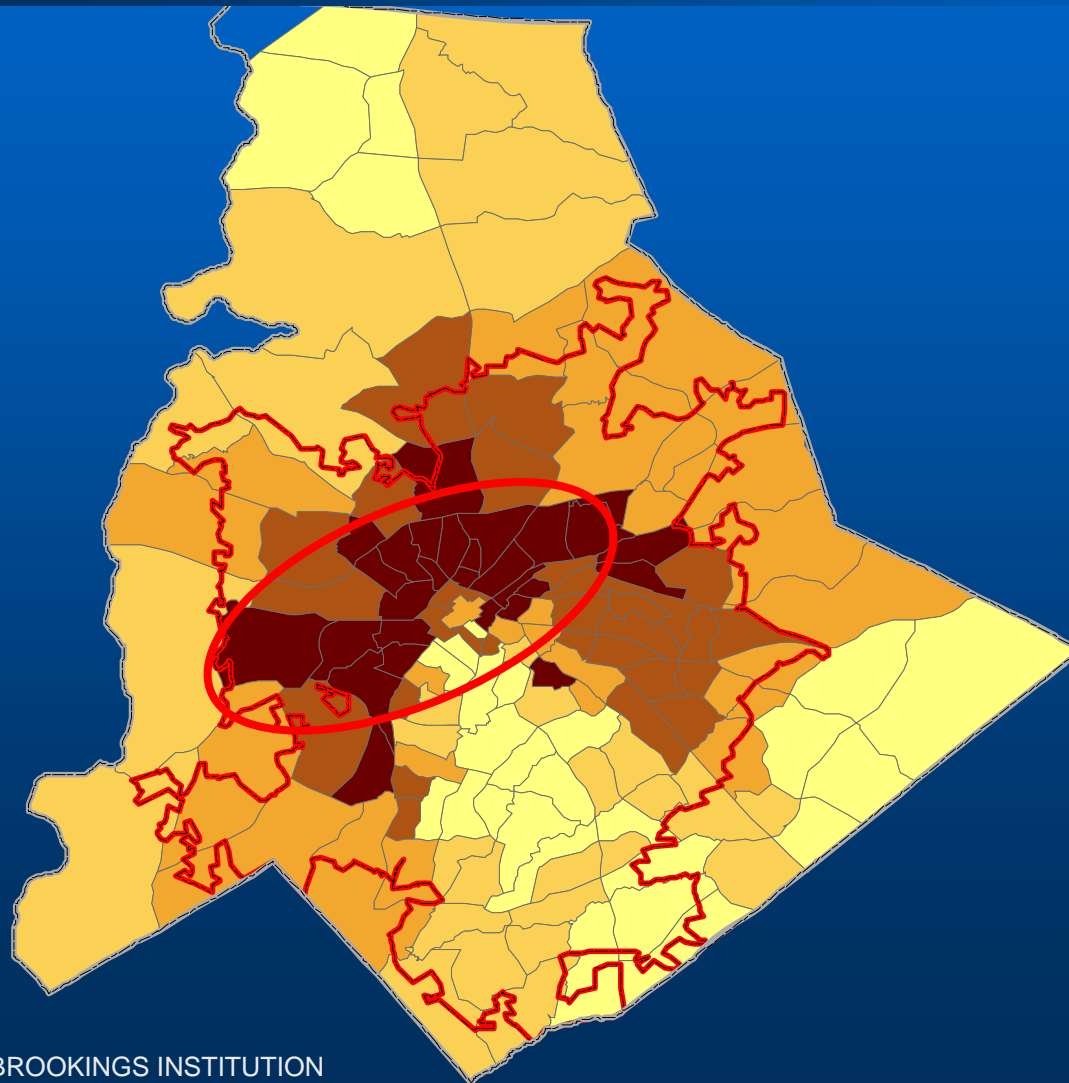


Median household income



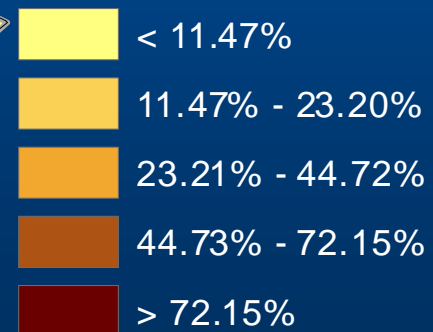


...as are minority populations



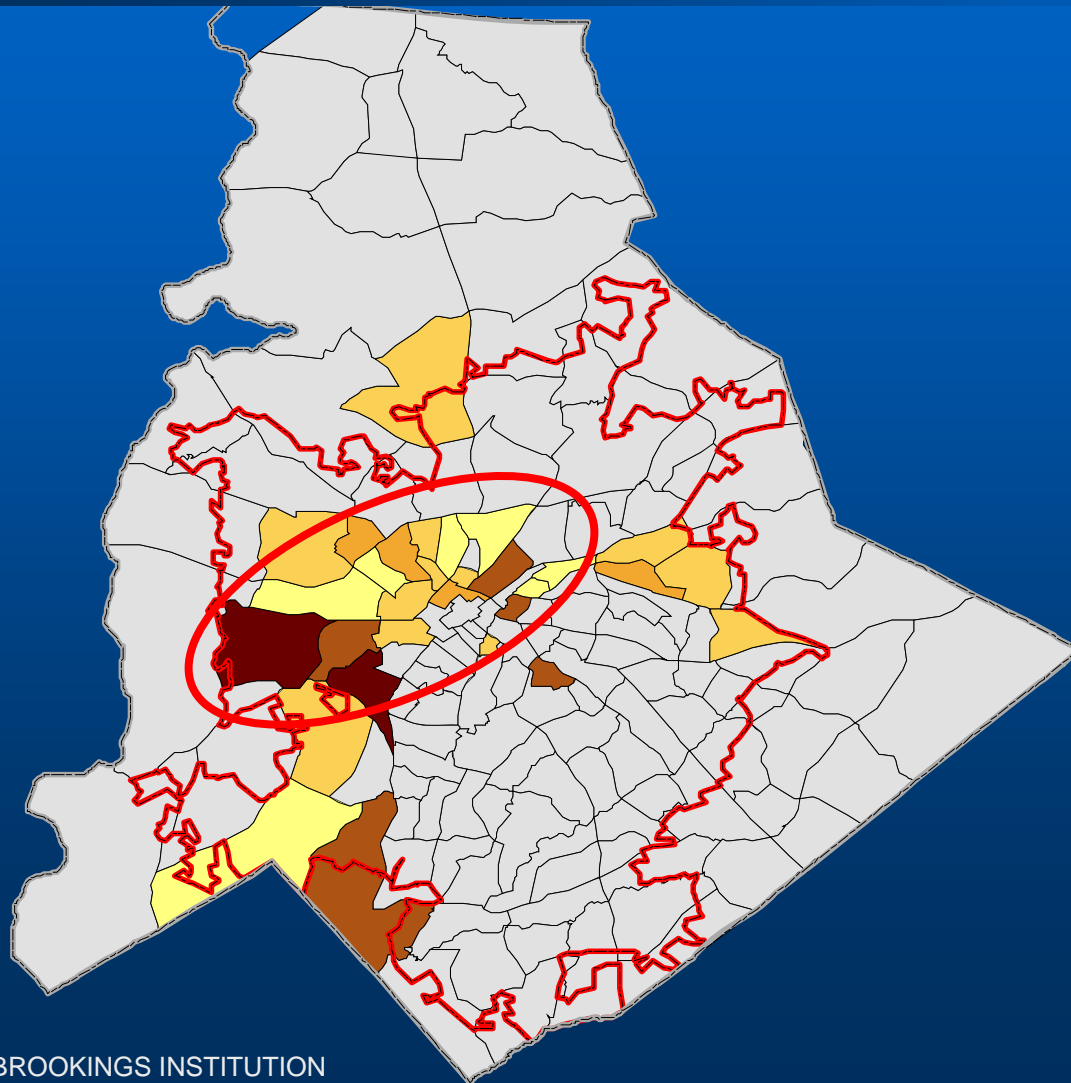
Percent non-white individuals, 2000
Source: U.S. Census

Percent of non-white individuals



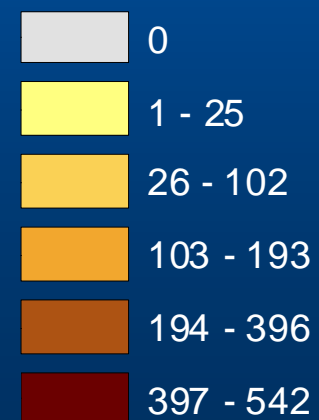


These pockets of deprivation are also where the metro area's public housing stock is concentrated



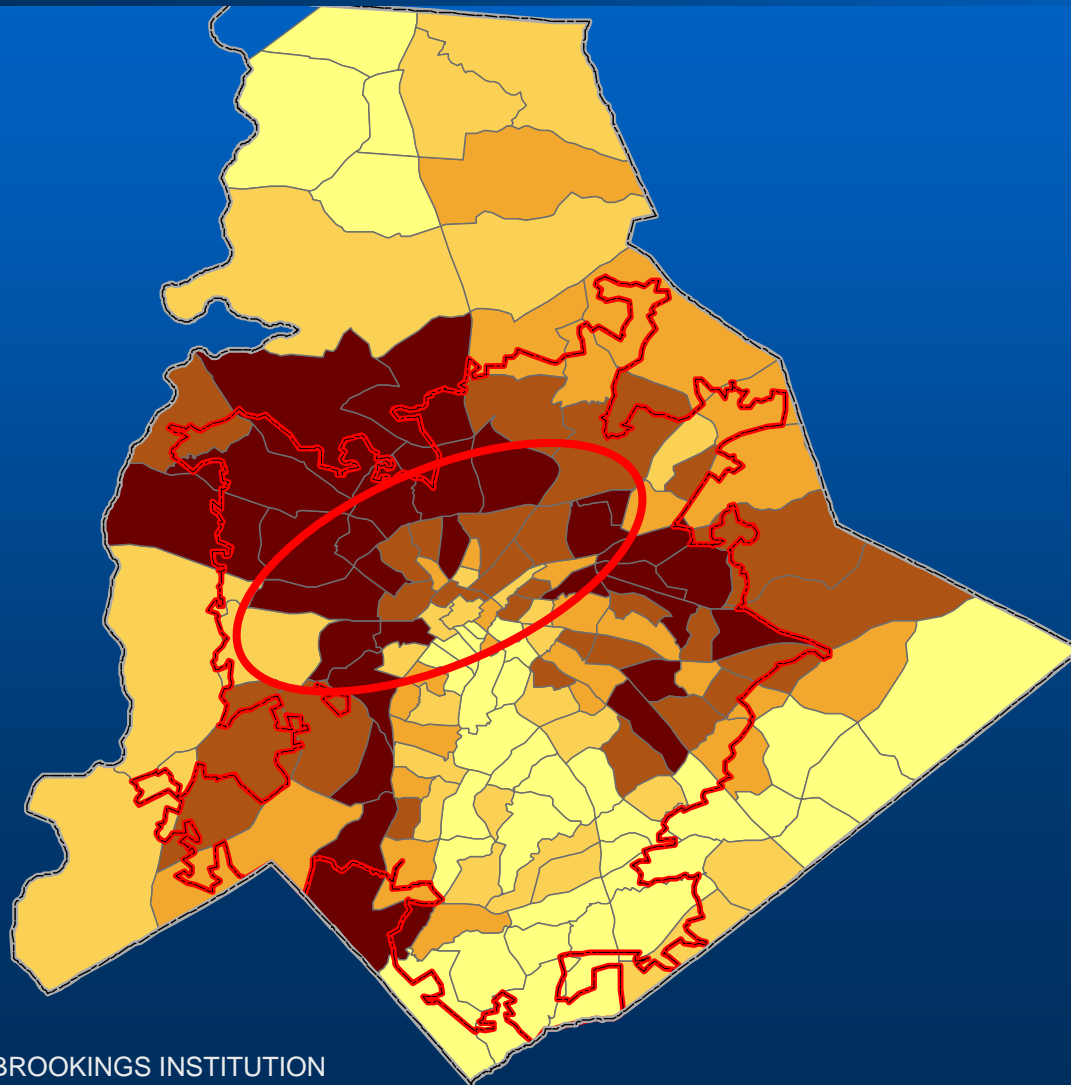
Public housing units
by census tract
Source: City of
Charlotte

Subsidized housing



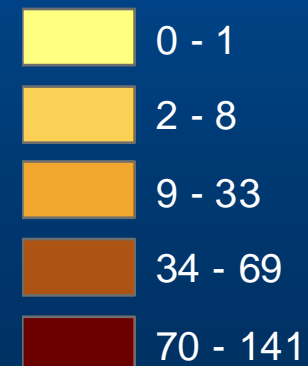


As expected, Section 8 vouchers are more dispersed



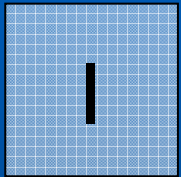
Section 8 vouchers
by census tract
Source: City of
Charlotte

Section 8 vouchers

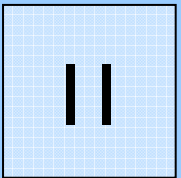




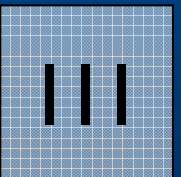
Rethinking Affordable Housing Strategies



What are the housing challenges in Charlotte?



What is a winning affordable housing playbook?



Where does Charlotte, and the nation, go from here?



Seven principles for success

1. Make Policy Goals Explicit
2. Tailor Housing Strategies to Local Market Conditions
3. Housing Markets are Regional
4. Income Policy is Housing Policy
5. Regulatory Policy Makes a Difference
6. Race Matters
7. Implementation Matters



Principle One: Make Policy Goals Explicit

The primary goals of affordable housing policy should be to support economic growth and enhance opportunity for families.



Principle One: Make Policy Goals Explicit

1. Preserve & expand housing stock
2. Make housing affordable and available
3. Promote racial & economic diversity
4. Help households build wealth
5. Strengthen families
6. Link housing with supportive services
7. Promote balanced metropolitan growth



Principle Two: Tailor Housing Strategies to Local Market Conditions

WHAT HERE?

Goal	Strong Market (Seattle)	Weak Market (Spokane)
Preserve and Expand Stock	1	7
Make Housing Affordable	2	1
Promote Diversity	3	5
Help Build Wealth	6	6
Strengthen Families	5	4
Link Supportive Services	4	3
Promote Balanced Metro Growth	7	2

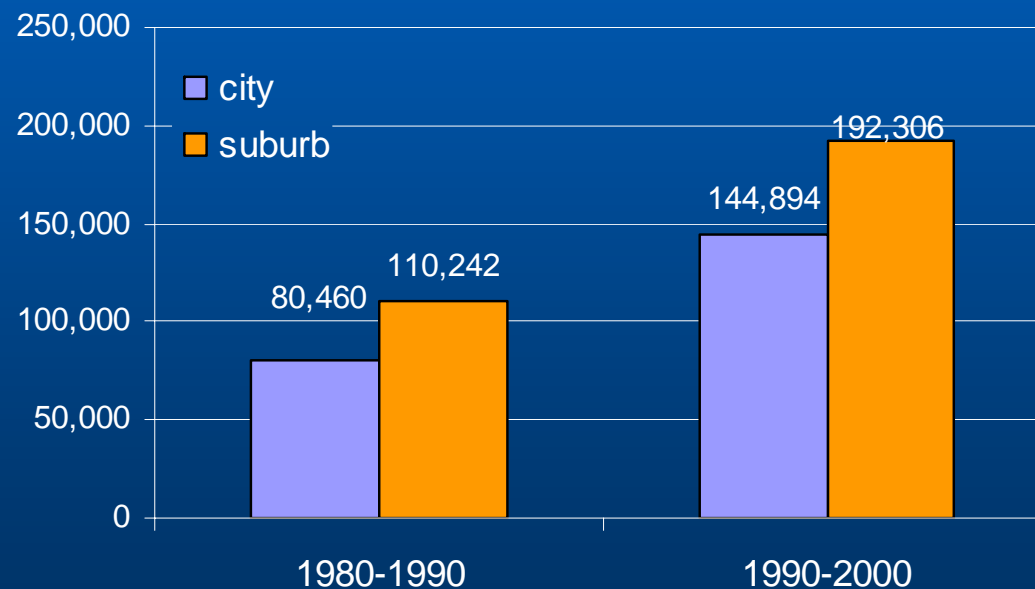
Priorities vary depending upon the type of market



Principle Three: Housing Markets are Regional

Example: The Charlotte metro area

The Charlotte suburbs have increased by 75,000 more people than the city



Population increase,
1980-2000

Source: Living
Cities Census Series



Housing markets are regional...just like job markets

Charlotte-Gastonia-Concord is classified as a “Decentralized Employment” metro:

- Only 15.9 percent of the metro area’s employment was within three miles of the CBD in 2002.
- 59.7 percent of the metro area’s employment was within 10 miles of the CBD
- 40.3 percent of the MSA’s employment was more than 10 miles from the CBD

Source: Brookings
Institution analysis of
Census Bureau data



Policy Response: Housing markets are regional... housing policies should be, too

- Do not cluster affordable homes in low-income neighborhoods, especially in the core
- Enable low-income households to live closer to employment centers and better schools



Aim for this...

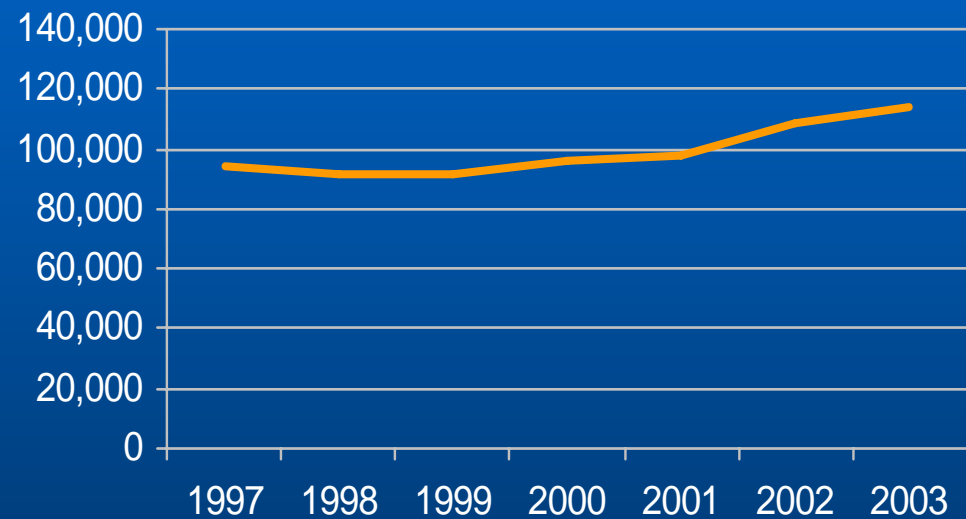


...instead of this



Principle Four: Income Policy is Housing Policy

The number of individuals claiming the earned income tax credit in the Charlotte metro has increased in recent years



Source: EITC Interactive Model,
Brookings Institution Metropolitan
Policy Program

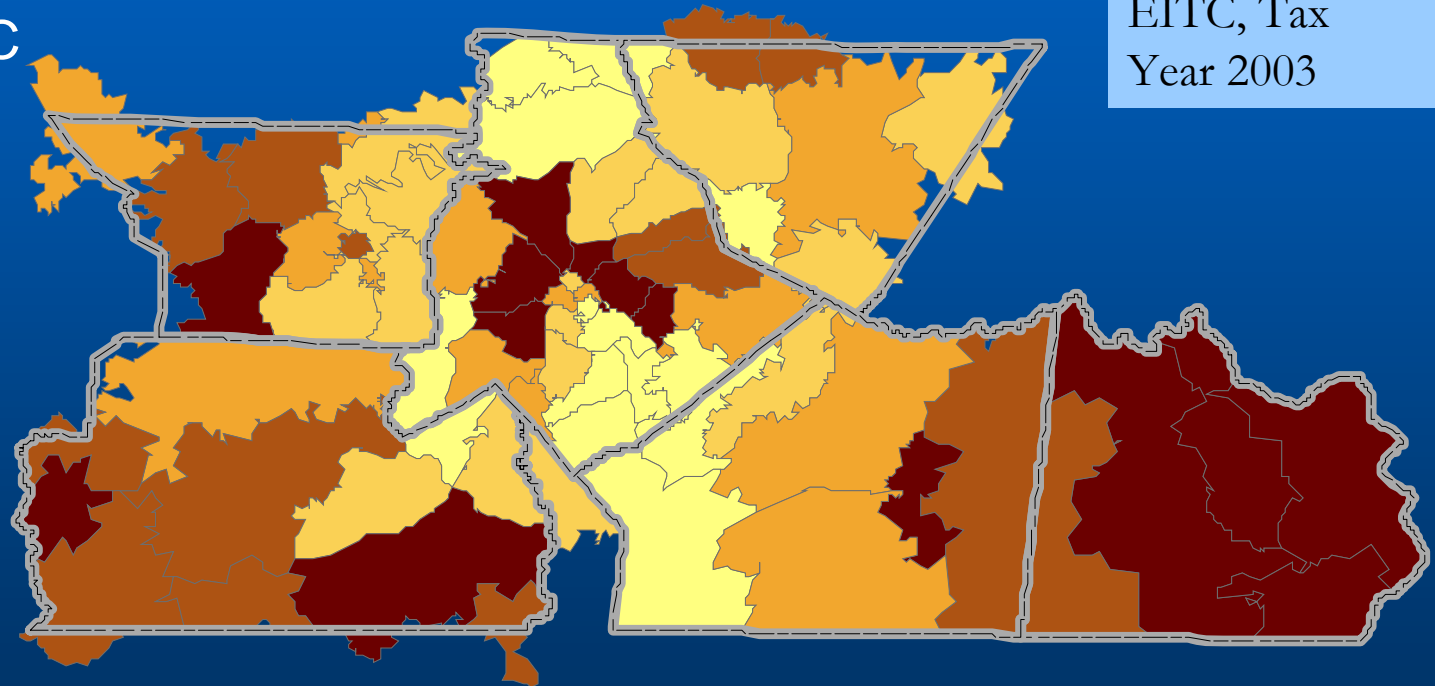
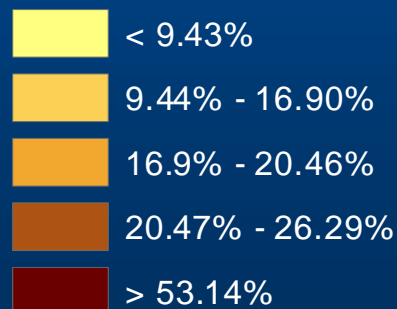


Income Policy is Housing Policy

Percent of filers claiming the EITC varies widely across the Charlotte metro area

Percent of filers claiming the EITC, Tax Year 2003

EITC claims rate





Income policy is housing policy

- Local leaders can impact household incomes and, by extension, housing affordability
- Raise the incomes of working families through earned income tax credit, nutrition assistance, health care, and child care

***Think of affordable housing as
workforce housing***



Principle Five: Regulatory Policy Makes a Difference

- Building Codes
- Zoning Ordinances
- Rent Controls
- Development Fees
- Land Use Regulations
- Design Requirements
- Subdivision Requirements
- Parking Requirements



Policy Response

- Eliminate or moderate regulatory barriers to affordable housing production
 - Identify and get rid of regulations that are exclusionary or unnecessary
- Provide incentives for private developers to produce more affordable housing
 - Create inclusionary housing policies to improve supply of affordable housing



Principle Six: Race matters

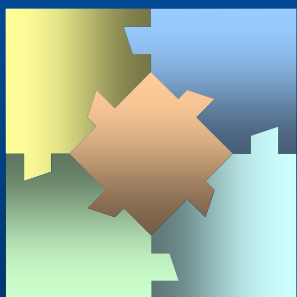
- Implement policies that do not reinforce patterns of segregation and discrimination
- Be aware that “color blind” policies may not work as intended if segregation and ethnic inequalities are ignored





Principle Seven: Implementation Matters

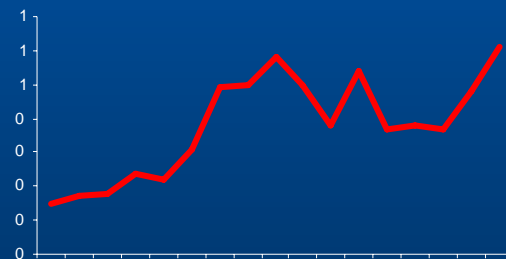
Housing policy needs to be implemented in an integrated, accountable and sustainable fashion



Integrated



Accountable



Sustainable



Implementation matters

- Housing programs should connect directly with other neighborhood interventions (e.g., schools)
- Hold implementing agencies accountable through performance measures
- Economic integration is the principle vehicle for sustainability



Set clearly defined performance measures

Example:

Goal	Short-term Indicators (1-5 years)	Long-term Indicators (5-20 years)
Preserve and Expand Affordable Housing Stock	Number of units built or rehabbed	Number of units affordable to range of incomes
	Number of units improved or upgraded	Number of physically deficient units
	Share of units affordable for range of incomes	Number of overcrowded housing units



An example of integrated affordable housing policy: Murphy Park of St. Louis, Missouri

Murphy Park Development replaced the original George L. Vaughn High Rises

- Partnered with corporate and philanthropic groups to improve the local school
- Aimed to increase economic diversity to promote sustainable economic performance
- Included townhouses, garden apartments, and single-family homes



Murphy Park, Today



George L. Vaughn High Rises, 1995



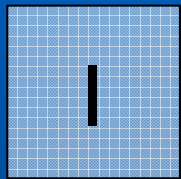
An example of integrated affordable housing policy: Murphy Park of St. Louis, Missouri

The Results:

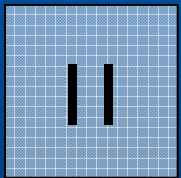
- Performance at the local school dramatically improved, with the percent of students reading at their grade level rising from under 20% to 60%
- The developers were successful at attracting a much more economically integrated community
- The median household income rose by 18 percent between 1989 and 1999, compared to four percent regionally
- Private investment in the form of residential and commercial development has since located in the surrounding area



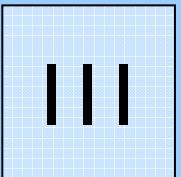
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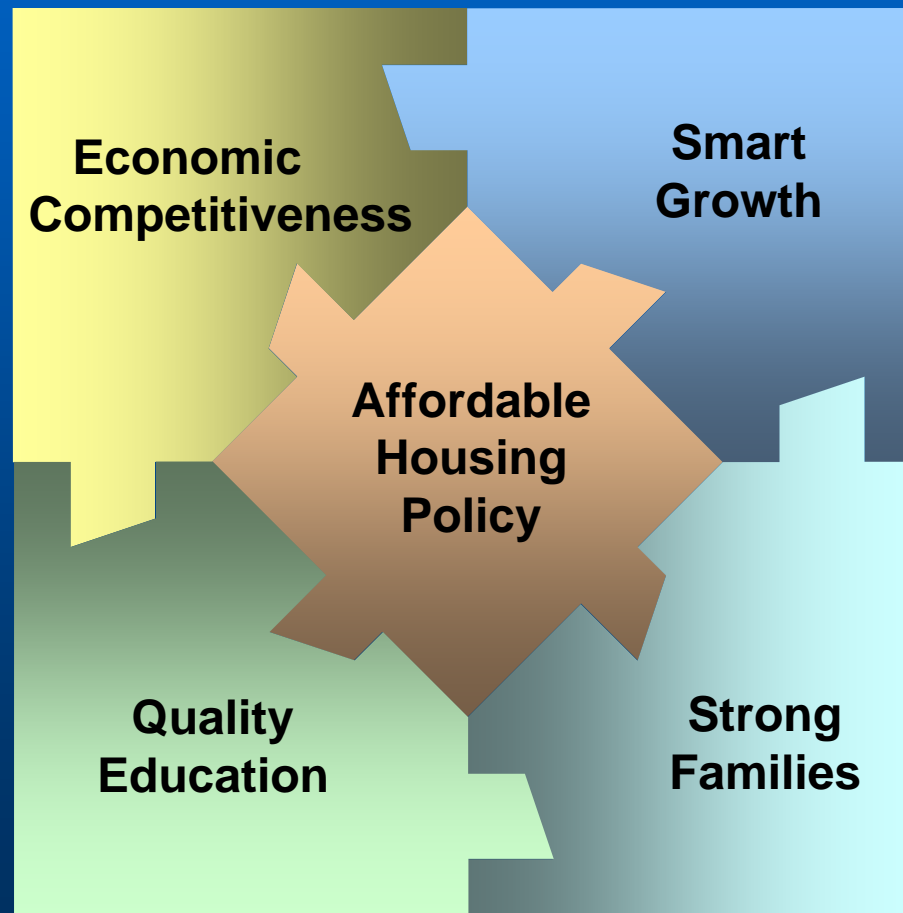
What is a winning affordable housing playbook?



Where does Charlotte, and the nation, go from here?



Charlotte needs to connect housing policy to core priorities





The nation needs to adopt a new federal/state compact to deliver and maintain affordable housing

The principal responsibility of the federal government is to close the gap between wages and housing prices

- Minimum wage
- EITC
- Vouchers

The states and locals have the principal responsibility for the production of affordable housing. States and locals:

- Control land use
- Administer federal programs
- Increasingly make their own investments in housing



The nation needs to adopt a new federal/state compact to deliver and maintain affordable housing

- The federal government should continue funding HOME, CDBG, and HOPE VI in cities and urban counties
 - Require consistency with regional housing strategies
- The feds should require MPOs to prepare regional housing strategies
 - Possibly conditioning transportation funding
- The feds government should create an incentive fund for jurisdictions that reduce regulatory barriers
- The feds should expand/retarget LIHTC to produce both:
 - Mixed-income projects in distressed communities
 - Lower-income options in opportunity-rich communities

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METROPOLITAN POLICY PROGRAM

Brookings > Metropolitan Policy

July 1, 2004

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Redefining the challenges facing metropolitan America and promoting innovative solutions to help communities grow in more inclusive, competitive, and sustainable ways.

ANNOUNCEMENT

Urban Center Becomes Metropolitan Program

In a major promotion, the Center on Urban and Metropolitan Policy this month became the Brookings Metropolitan Policy Program—and the first new Brookings department established since 1948. The new status reflects the rising importance of metropolitan issues to the domestic and global challenges Brookings seeks to address.

▶ read an open letter from Brookings President Strobe Talbott

METROVIEW

Deficits by Design Plague Metro
by Robert Puentes
The Washington Times
June 21, 2004

[News Index](#)

METROPOLITAN GROWTH

Mechanisms for Market-Based Land Use Control

Using case studies and a national survey, this paper examines transfers of development rights (TDRs) and other market-based land preservation techniques like mitigation banking and density transfer fees.

IMMIGRATION

Washington Goes Polyglot

Metro Washington's "limited English proficient" (LEP) population

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