Barriers to Affordable Housing

Housing affordability is determined by the relationship between supply and demand. A household's purchasing power (demand), or its capacity to "consume" housing, is based on its income. This may include wages, investment income, gifts and inheritance. Government can directly increase a household's purchasing power by general income transfers (public assistance, social security payments, etc.), housing assistance payments or services that increase disposable income (child care subsidies, health care, etc.). Government can indirectly influence household income through actions such as increasing the minimum wage or changing the tax structure.

The price of housing is affected by a complex combination of factors related to the cost of housing production (supply). These include the cost of land, materials, labor and capital. The government can be a housing developer, as in the case of public housing. Government loans, grants and financing that reduce the cost of private sector and non-profit sector housing production, operation or maintenance directly impact housing affordability. The public sector can also make housing more affordable by imposing rent or price controls. Tax abatement and infrastructure development are indirect techniques for reducing the price of housing.

Other types of government intervention in the housing market increase the cost of housing. The most common of these interventions are local government development regulations. These include regulation of density, lot sizes, building size, unit type and design and building materials. Communities can also increase housing cost through lengthy approval process, permit fees, infrastructure requirements and exactions (payments or land dedications for parks and schools).

Increases in the minimum wage or prevailing wage requirements, which increase household income on the demand side, can increase the cost of labor for housing construction. The tax code can also impact housing cost, either positively or negatively.

The availability of affordable housing is also related to consumer and community preference. Housing developers gauge housing location, style and price to the perceived local market and community acceptability.

Within this context, this section of the Consolidated Plan describes the barriers to meeting the affordable housing needs in Columbus and Franklin County. These include:

Public Sector Impediments

- Attitudes of the general public: NIMBY;
- development regulations and land costs;
- ADA, home modification and visitability;
- taxes and fees;
- public housing and tenant-based Section 8;
- project-based Section 8 and HUD financed units;

There is not a single American city or rural county where a household with one full-time minimum wage earner can afford a modest one-bedroom apartment.

—The State of the Nation's Housing 2003, Harvard's Joint Center for Housing Studies

In Franklin County, a worker earning the minimum wage ($5.15 per hour) must work 96 hours per week in order to afford a two-bedroom unit at the area's Fair Market Rent.

—Out of Reach 2003, National Low Income Housing Coalition

For typical home buyers, sharp declines in mortgage interest rates largely offset the impact of surging home prices on affordability in 2001-02. Lower mortgage rates also allowed many homeowners to increase their mortgage debt without adding significantly to their monthly housing costs. For households at the lower end of the income distribution, though, affordability has clearly eroded.

—The State of the Nation's Housing 2003, Harvard's Joint Center for Housing Studies

- intergovernmental coordination; and
- other public sector impediments.

Private Sector Impediments

- Lending,
- Loan servicing,
- Credit,
- Real estate industry,
- Rental housing,
- Insurance, and
- Appraisal.

The Gap Between Income and Housing Cost

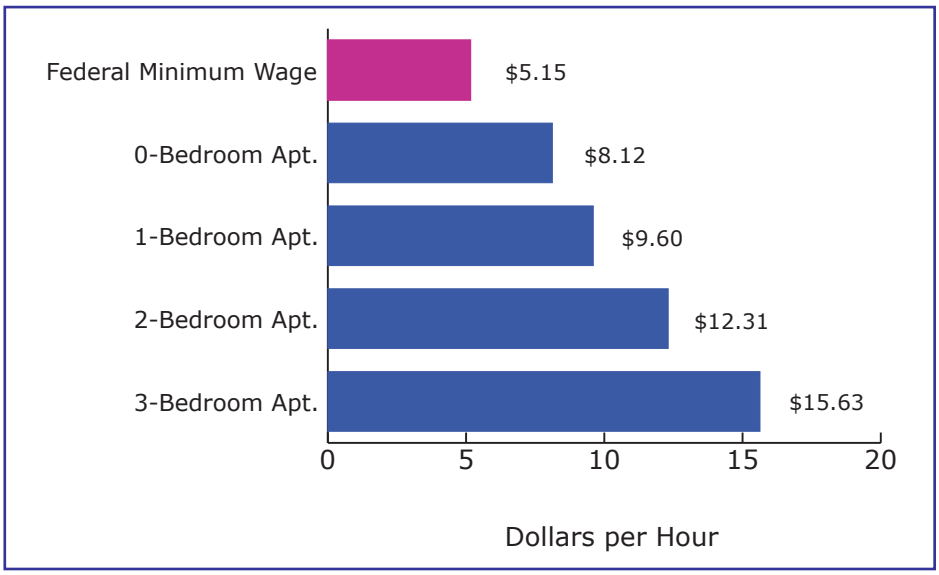
Rental Housing Affordability

- Rental housing is unaffordable to many working households
- 25,000, or 59.4 percent, of the lowest income renters in Franklin County pay over half of income for housing.
- Affordable housing demand far outstrips supply.
- Fewer public and assisted housing units and more rental vouchers.

Owner Housing Affordability

- Significant increases in the sale price of residential homes in central Ohio, a 41.5 percent increase from 1995 to 2003.
  See www.columbusrealtors.com/2293.cfm
- 11,000 low-income homeowners in Franklin County pay over half of their income for housing.

Figure 22: Hourly Wage Needed to Afford Housing at Fair Market Rent, Franklin County, 2003



Source: National Low Income Housing Coalition

Note: Wage at 40/hours a week.

Summary of Impediments to Affordable Housing

The following lists are based on information in the *Fair Housing Plan: 2001-2003* for Columbus and Franklin County prepared in May 2001 by Roberta F. Garber Consulting for The Columbus Urban League.

Public Sector Impediments

Attitudes of the General Public/ NIMBY

- There is increased public opposition to affordable housing in all jurisdictions.
- Requirements that elected officials and/or boards and commissions approve housing development projects result in greater public participation and opposition.
- There is increased use of lawsuits to block housing development projects or siting of housing for special needs populations.
- There is increased use of referendum petitions to overturn approval of housing development.
- "Economic discrimination" produces public pressure for new housing to be more and more expensive.

Development Regulations and Site Selection

- Land costs are very high, particularly for vacant land with utilities.
- Development in the central city often involves costly land assembly and environmental remediation.
- There are changes in state law pending in the legislature that would make annexation more difficult.
- There is great variation in development standards and processes among local jurisdictions.
- Suburban jurisdictions require large lots and low densities for new residential development.
- Suburban development regulations are becoming more restrictive.
- Incremental changes in codes add up to significant cost increases in housing development.
- Negotiated development approval processes result in increased standards and housing costs.
- Columbus historic guidelines may add to the costs of housing construction and renovation.
- There is little distinction in how Columbus codes are applied in the older and newer cities.
- Housing code enforcement, while improving housing quality, can increase housing costs.

ADA, Home Modification and Visitability

- No one organization has taken responsibility for assuring that developers comply with ADA requirements.
- There is not adequate enforcement of violations of ADA.
- There are not enough existing housing units modified to be accessible for persons with disabilities to meet the need.

Taxes and Fees

- Utility tap-in fees and permit and inspection fees are increasing, and these costs are passed on to owners and renters.
- Local governments in Ohio are beginning to levy impact fees on residential development to pay for city services.
- There are no income tax deductions or benefits for renters.
- Residential structures with 4+ units are taxed at commercial property tax rates.
- Homes in central city neighborhoods are more likely to be overappraised by the County Auditor.

Public Housing and Tenant Based Section 8

- Since 1993, 27% of the public housing stock in CMHA's inventory has been demolished.
- CMHA has Cooperation Agreements for family public housing only with Columbus and for senior public housing only with Columbus, Whitehall and Hilliard.
- There is NIMBY resistance to new public housing development in the newer city and suburbs.
- Public housing preferences now target 50% of all new admissions to working households, potentially reducing the availability of units for extremely low-income

households.

- Households with high utility arrearages cannot move into public housing.
- A household is evicted from public housing if any person residing in the unit sells drugs.
- Landlords are reluctant to be a part of the Section 8 voucher program.
- Federal lead paint regulations cause smaller landlords to drop out of the Section 8 program.
- Fewer than 20% of Section 8 households are living in suburban locations.
- There are not enough resources to provide public housing and Section 8 vouchers to everyone on the waiting lists.

Project Based Section 8 and HUD Financed Units

- About 750 privately owned subsidized housing units have been lost from the affordable housing inventory, and this trend is expected to continue.
- Owners that are most likely to opt out of the program and convert to market rate units are those with units in newer city and suburban areas.

Intergovernmental Coordination

- There is not a forum for regional coordination on fair housing and affordable housing issues.
- There has not been buy-in from suburban jurisdictions to addressing the housing needs of their low- and moderate-income residents and workers.

Other Public Sector Impediments

- **Environmental issues**–Environmental concerns are playing a more important role in development and housing. Restricting development in environmentally sensitive areas impacts the ability to develop affordable housing.
- **Smart growth**–The focus on "smart growth" and sprawl can mean no growth of housing in suburban locations.
- **Gentrification**–Neighborhoo d revitalization can become gentrification, making housing in central city neighborhoods unaffordable to low-income households.
- **Schools**–Because of the school funding crisis and the population growth in suburban school districts, schools want to limit residential suburban development and reduce residential density.
- **Lead paint**–Lead paint regulations add costs to the housing system and place constraints on the type of housing activities that can be undertaken with federal funds. Time delays for testing and remediation result in units sitting vacant for longer periods of time.

Private Sector Impediments

Loan Approval and Denial

- Changes in CRA reporting and monitoring to focus on numerical targets allows lenders less time to work with marginal borrowers.
- Loan originators who have the qualifications and motivation to work with marginal applicants are in short supply.
- Lenders are not locating new offices in central city locations.
- There are significantly higher loan denial rates for blacks and minorities than for whites in Franklin County.
- As the income of black households increase, they are more likely than white households to have a loan application denied.
- Several lenders in the community made fewer than 6% of all loans to black applicants in 1998.
- Subprime lending composed 33.5% of all home purchase loans and 43.7% of all refinance loans in low-income Franklin County census tracts in 1999.
- Predatory lending practices are of increasing concern in Franklin County.

Loan Servicing

- There is insufficient data to analyze loan servicing practices.
- Preliminary data on foreclosures show a significant increase between 1994 and 1999.
- There is evidence of increased foreclosures of homes purchased through builder buy-down programs.

Credit

- A poor credit history is the number one reason for disapproval of home loan

applications.

- A borrower's credit history weighs heavily in loan decisions made by automated underwriting systems.
- Blacks are more likely to have factors in their credit history that produce low credit scores.
- Minority and low-income households are more likely to not understand credit.
- Low-income households find it difficult to work with credit reporting agencies to correct errors in their credit reports.
- It is difficult for people with past credit problems to overcome them and become homeowners.

Real Estate Industry

- In 1995, the homeownership rate for white households in Franklin County was over 21% greater than for black households.
- There is anecdotal evidence that steering still occurs in the real estate industry.
- Wide-scale testing to determine discrimination in the owner housing market has not been done in Franklin County for several years.
- Realtors sometimes steer minority and low-income buyers to lenders with whom they have a relationship, despite the fact that this may not be the best deal for the buyer.

Rental Housing

- Rental housing testing continues to reveal instances of differential treatment of persons in protected classifications throughout Franklin County.
- Rental housing testing found instances of new properties did not meet the legal requirements for accessibility for persons with physical disabilities.
- It is difficult to provide fair housing training to the many small landlords who do not have professional staff and are not affiliated with the CAA.
- Labor shortages and staff turnover result in less experienced and less qualified rental housing staff and a need for more frequent fair housing training.
- There are few affordable rental units in suburban locations.
- There are not enough affordable rental units with 3+ bedrooms to accommodate larger families.

Insurance

- There is evidence from national testing that insurance companies have provided fewer and more expensive services to residents of minority and low-income areas.
- Increased use of credit scoring by insurance companies may create additional barriers to minority households getting homeowner or renter insurance.
- Insurance rates for apartment complexes have drastically increased in the past 3 years.

Appraisal

- Appraisals often don't support the loan amount necessary to get a rehab loan for a house in an older neighborhood.
- Appraisals for new homes in central city neighborhoods are sometimes based on comparables from other locations or on inflated values to cover construction costs.
- Predatory lenders rely on appraisers to carry out flipping schemes.

Fair Housing

The *Fair Housing Plan,* completed for Columbus and Franklin County in May 2001, identified several fair housing issues that continue to be addressed by key housing organizations in Columbus and Franklin County. The following is the list of actions in the plan, developed by The Columbus Urban League's Housing Roundtable:

Coordination and Fair Housing Plan Implementation

- **Enhance the Housing Roundtable** to serve as a forum for regional coordination on high priority fair housing issues, as well as an advisory group to oversee Fair Housing Plan implementation. Expand its membership to include the direct involvement of local government officials from Columbus, Franklin County and suburban jurisdictions, and other key public and private sector stakeholder groups.

Education and Outreach

- **Provide fair housing education** and training, using a variety of forums, methods and partners, targeted to: 1) populations likely to experience discrimination; 2) the housing industry, 3) housing service providers, 4) elected and appointed officials and 5) the general public
- **Create linkages between the housing industry and organizations working with diverse ethnic groups,** including new immigrants. Develop fair housing training materials and housing resource guides targeted to non-English speaking groups and persons from foreign cultures.

Monitoring and enforcement

- **Achieve local building code certification of compliance with the Americans with Disabilities Act** through the U.S. Department of Justice's voluntary certification program.
- **Review the Columbus Urban League's fair housing discrimination complaint** process on a regular basis to assure its continued effectiveness and to incorporate changes in laws, regulations and community conditions.
- **Periodically review the content of housing advertisements** in local publications for illegal advertising language, and provide technical assistance and/or initiate enforcement actions.

Development Regulations and NIMBY

- **Implement effective education campaigns to overcome community opposition to affordable housing** that make use of national and local research, models and best practices.
- **Selectively introduce affordable housing into suburban locations,** including: 1) senior-only public housing, 2) Section 8 tenants in suburban LIHTC projects and 3) partnerships between non-profit organizations and for-profit developers to buy into market rate developments.
- **Require suburban jurisdictions to develop and implement a fair housing strategy** if they receive Franklin County CDBG funds, HOME funds or tax abatement for job creation.
- **Provide incentive funds for suburban jurisdictions that remove regulatory barriers** to affordable housing development.
- **Reduce fees and taxes and make minor modifications to development regulations,** such as those identified by the Columbus Housing Task Force, to make housing more affordable.
- **Hold a community wide forum,** highlighting models and experts from other communities, to discuss innovative and effective approaches to removing regulatory barriers to affordable housing.

Tenant-Based and Project-based section 8 housing

- **Make changes in administration of the Section 8 program,** based on national models, to achieve greater landlord participation outside of the central city and retain existing landlords in the program.

- **Lobby HUD to make regulatory changes** to provide more flexibility in administration of the tenant-based Section 8 program.
- **Monitor the status of project-based Section 8 and HUD financed properties,** and identify opportunities to intervene to keep units in the affordable housing stock.

Lending and Credit

- **Develop a coordinated community effort to address predatory lending** and increase conventional and FHA lending in these areas, based on an analysis of mortgage lending patterns and appraisal practices in low-income and high minority population census tracts.
- **Modernize the Columbus Urban League's annual report on HMDA data** to make it a more useful tool for shaping community housing strategies.
- **Expand resources and staff in the community to assist minority and low- and moderate-income borrowers** to successfully move through the lending process.
- **Analyze trends and patterns in loan servicing and foreclosure** and determine if local actions are needed to address these issues.
- **Increase resources for comprehensive homebuyer education, including:** credit education, credit counseling and financial literacy training, including a local consumer awareness campaign.

Real Estate and Insurance Industries

- **Assess discrimination in the sale of housing** through a regular, periodic testing program.
- **Conduct research into the extent of insurance redlining** in Franklin County.
- **Monitor the efforts of state and national organizations to address insurance redlining,** and position the local community to take advantage of settlements that may be reached with large insurance companies.

Rental Housing

- **Provide smaller "mom and pop" landlords with targeted fair housing education, information and technical assistance.**
- **Evaluate the CUL rental housing testing process** to determine how to better target testing efforts, analyze testing data and present the data to the community.
- **Evaluate the compliance of rental housing with accessibility laws through a program of regular testing.**

Plans are underway to update the Fair Housing Plan for Columbus and Franklin County in 2005.