



The Meaning of Home

Housing and Social Policy

CRD 171

University of California Davis

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Group Exercise

- What is the meaning of “HOME”?



Multi-Dimensional Characteristics of Housing

1. Housing as a physical quantity:

Structure Type: single-family, multi-family, duplex, high-rise

Size: square feet, # stories, # rooms

Lot Size: square feet, acreage

Amenities: dishwasher, central heat/air, Jacuzzi



Multi-Dimensional Characteristics of Housing

2. Housing as an economic entity:

Cost/Affordability: household disposable income, savings

Investment: level of wealth and income

Tenure: right to own or possess, economic security (e.g., right to recover equity, determine payments, make improvements, avoid eviction.)

Taxes: property taxes, homeowner deductions (mortgage interest and property taxes)



Multi-Dimensional Characteristics of Housing

3. Housing as an item tied to forms of consumption:

Construction and Repair: consumption of materials and equipment to build/maintain home and property

Accessories: consumption of furnishings, durable goods, decorations to enhance comfort & function

Labor: consumption of labor to build, repair, and maintain

Credit: consumption of bank loans to buy, repair, and refinance



Multi-Dimensional Characteristics of Housing

4. Housing as a location in space:

Neighborhood: sense of community

Accessibility: goods and services,
employment, education

Economic and Social Mobility: Jobs, social
networks

Housing is a Basic Need for Today's World

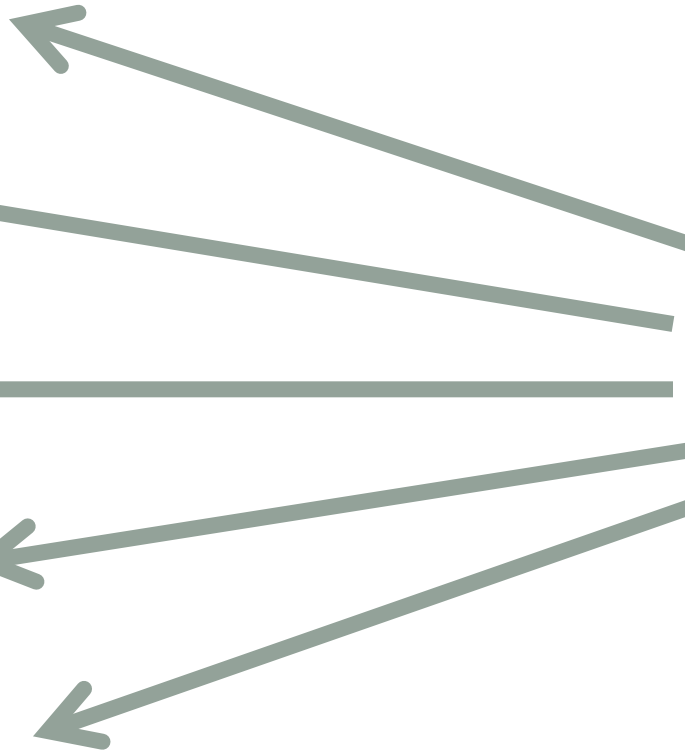
- Food & Water

- Clothing

- Housing

- Health Care

- Transportation



Housing Differs From Other Basic Needs

- By far, consumes largest % of household income
- Regular, large, fixed cost – can't cut back on payments
- All or Nothing: Partial payment leads to eviction
- Difficult, expensive, and time-consuming to move
- Easier to cutback, find substitutes, or temporarily suspend purchases of other types of basic needs

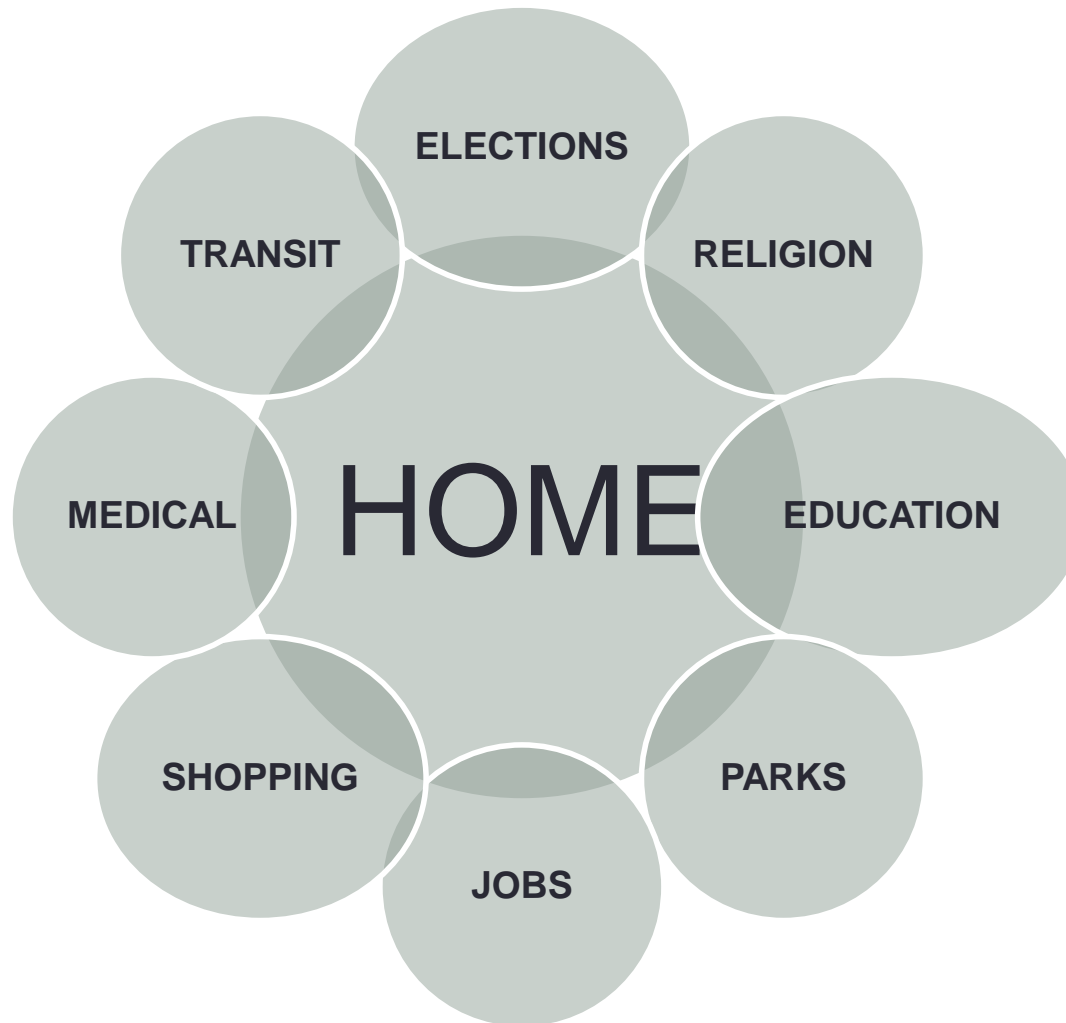
Unaffordable Housing Results in

- Overpaying
- Neglecting or cutting back on other needs
- Overcrowding
- Living in unsafe or unsuitable shelter
- Economic insecurity and transiency
- Displacement and homelessness

Affordable Housing Results in

- Platform for advancement and opportunities for individuals, families and their children
- Affordability enables devotion of more money and resources to education, training, employment, recreation, personal growth
- Stabilizes vulnerable and economically-stressed individuals and families so they can stay in one place long enough to gain jobs and educational, social, health, and other services

Affordable Housing Provides Access and Opportunity



Affordable Housing is Related to Advancement



Housing Development Provides Economic Stimulus

Fuels the Local Economy

- Generates fees & taxes for local governments
- Vital construction jobs
- Building materials demand
- Property management jobs
- Residential services & furnishings
- Generates investment
- Increases property values



Job Impact of 100-Unit Family Rental Project

Jobs Created	Jobs
Construction and related jobs	80
Created by spending from construction and related jobs	42
Jobs created from spending by residents occupying units	30
Total Jobs Created	153

Source: National Association of Home Builders, 2010 and 2009a

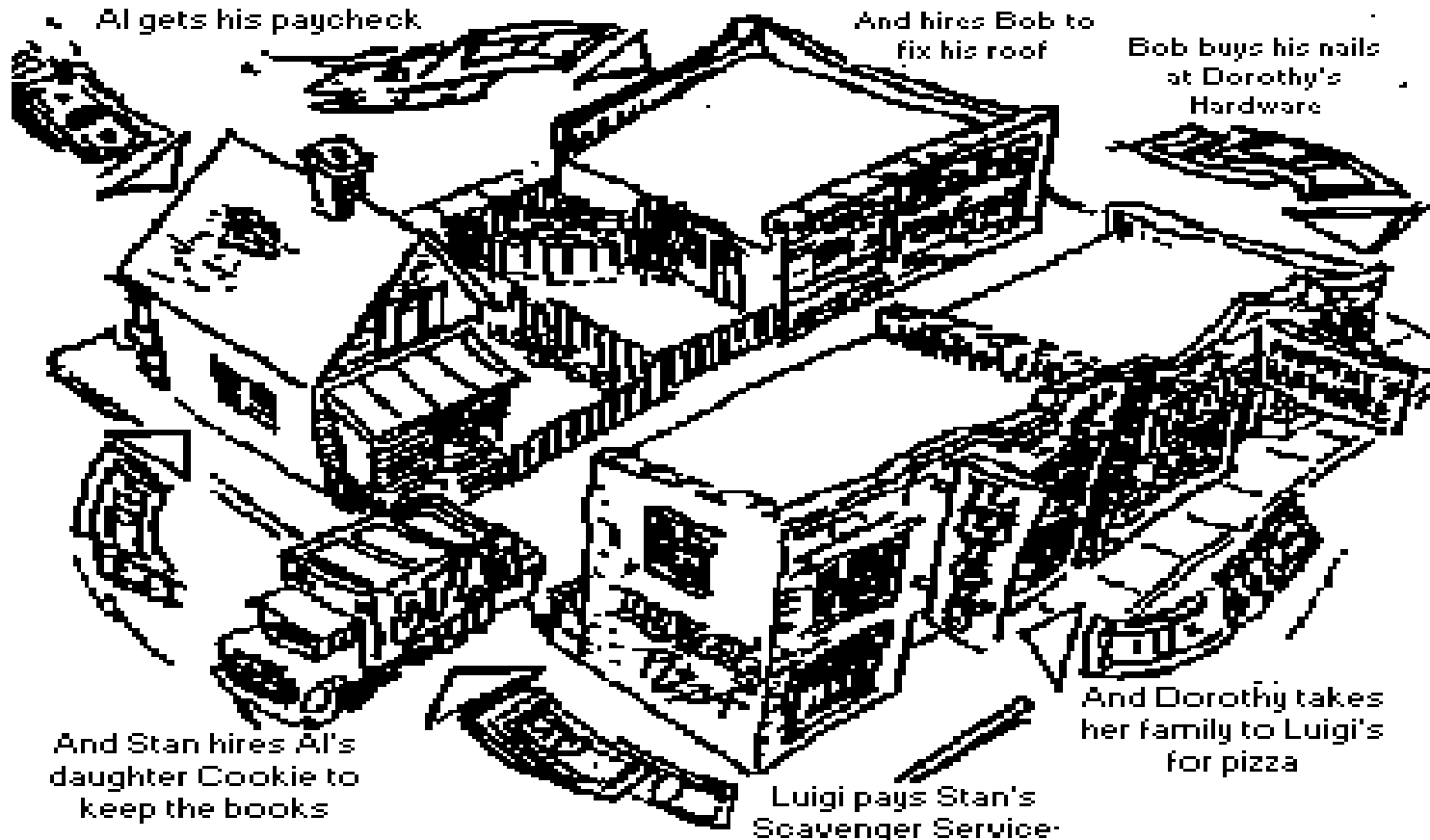
Demand for Local Businesses

- Affordable housing increases purchasing power for residents



- If residents are spending less on housing, they can spend more on consumer goods!

Why Sustainable Communities Need Affordable Housing



Spending money locally-how the multiplier works



Three Ways to Measure Housing Needs

The 3 A's of Housing –

- ***Housing Affordability***
- ***Housing Adequacy***
- ***Housing Availability***



● ● ● | What is Housing Affordability?

- Housing affordability figured as % or ratio that compares housing costs to income.
- Usually, look at costs and incomes of households, rather than families.
- Household unit of measurement more inclusive than family unit.



What is Housing Cost?

For Renters – rent and utilities (e.g., gas, electricity)

For Owners – PITI: Pincipal on mortgage, Interest on mortgage, Taxes (property), Insurance (homeowner, flood, earthquake)



What is Household Income?

Income usually considered gross income received before taxes from

- Wages
- Salary
- Fees
- Investments (e.g., interest, dividends)
- Business activities
- Income maintenance programs (e.g., social security, TANF, SSI)



What is an Affordable Payment?

- Federal statutory standard for “affordable” housing payment is 30% of gross household income.
- Same standard used in state and local programs.
- Up until 1980s, standard was 25%. Over years, pressure in Congress to increase above 30%.
- Moderate Cost Burden – Payment 31-50% of gross income
- Extreme Cost Burden – Payment over 50% of gross income



What Income Qualifies Households for Government Housing Assistance?

Based on Area Median Income (AMI) adjusted for household size, federal, state, local programs use income ranges or “bands” to determine whether gross annual income (before taxes) low enough to qualify.

- a. Median Income (AMI) – Gross annual income level in defined area (MSA or county), half households above, half below
- b. Moderate Income – Gross annual income 81-120% AMI
- c. Low Income – Gross annual income 51-80% AMI
- d. Very Low Income – Gross annual income 31-50% AMI
- e. Extremely Low Income – Gross annual income <30% AMI



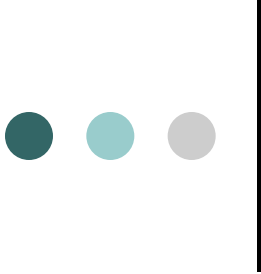
Yolo County Income Levels

Yolo County

2015 Area Median Income:
\$72,200

Number of Persons in Household

	1	2	3	4	5	6	7	8
Extremely Low (30% AMI)	15,200	17,350	20,090	24,250	28,410	32,570	36,730	40,890
Very Low Income (50% AMI)	25,300	28,900	32,500	36,100	39,000	41,900	44,800	47,700
Lower Income (80% AMI)	40,450	46,200	52,000	57,750	62,400	67,000	71,650	76,250



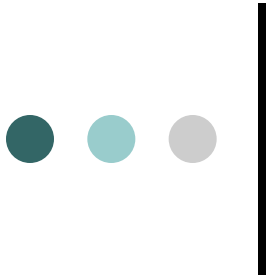
How are Affordable Payments Computed in Government Programs?

Generally, after household determined income-eligible, certain income adjustments or allowances may be taken to reduce gross income and determine an affordable tenant contribution to rent.

In HUD Section 8 Program, for example, adjustments are made for # of dependents, elderly status, child care costs, health care costs.

NOTE: In some programs, households must pay fixed rent that is below-market, but which is not calculated as % of income – goal is 30% but tenant may pay more or less:

- ❑ Income-Based Rents
- ❑ Formula-Based Rents
- ❑ Budget-Based Rents



Affordability Exercise



What is Housing Adequacy?

Conventional definition of “adequate” housing largely framed in terms of physical conditions:

- >> Lack of plumbing, ventilation, light**
- >> Lack of water and sewer**
- >> Overcrowding**
- >> Substandard conditions, e.g., faulty wiring, leaky roof, subsiding foundation, failing materials and appliances**

Need to also focus on appropriateness, e.g., family cycle- and age-related, location



What is Housing Availability?

Analysis of “availability” typically located within market analyses of supply and demand.

Is there an equilibrium or disequilibrium (mismatch) between what’s needed and available?

Typically measured by:

>> Vacancy rate

>> # of low-income households vs. # of affordable units

>> # of households w/special needs v. # appropriate units

What is Affordable Housing?



Which one is the affordable housing?



What are the Goals of Affordable Housing?

- **Cost**: Pay 30% or less of household income before taxes
- **Size**: adequate for household size and composition
- **Suitable**: amenities for household need e.g. disabled
- **Quality**: Good condition, safe, energy-efficient
- **Secure Tenure**: no unfair payment increases or eviction
- **Location**: provides access to services, jobs, shopping

Who is Eligible?

- Typically restricted to eligible households based on:
 - Household Income – low or moderate income
 - Household size
 - Household status
 - Occupation – e.g. farm worker
 - Elderly
 - Disabled
 - Special needs
 - First-time homebuyer

Who Builds, Rehabs, Owns & Operates Affordable Housing?

- Nonprofit affordable housing organizations
 - Mission-driven
 - Faith-based
- For-profit affordable housing companies
- Local governments

What Makes Affordable Housing “Affordable?”



SUBSIDY



What Forms of Subsidy are Used?

- Subsidies are financial assistance that generally comes in three forms:
 - **Grants**: funds that do not have to be repaid
 - **Loans**: no or low interest rates with very favorable repayment terms that reduce the cost of borrowing money and paying back the loan
 - **Housing Assistance Payments**: typically payments made by a government agency to cover part of the monthly rent or mortgage cost

Widespread Need: Workers who often cannot afford market-rate housing and qualify for housing subsidy

***Fast-Food Workers**

***Building Maintenance Workers**

***Administrative Assistants**

***Truck Drivers**

***Construction Workers**

***Nurses**

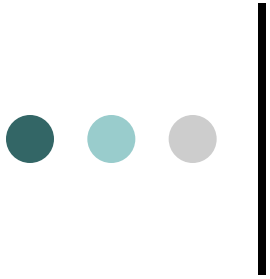
***Firefighters**

***Teachers**

***Cashiers**

***Police Officers**





In conclusion, most housing needs and problems can be explained in terms of one or more of the 3 A's.

It is the job of housing policy and housing practitioners to address all 3 areas of need to help families achieve decent and livable homes and communities.