

# AFFORDABLE HOUSING IN GREENSBORO: THE CHALLENGE AND THE BENEFITS



## AFFORDABLE HOUSING

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BY

DR. KEITH G. DEBBAGE

DEPARTMENT OF GEOGRAPHY

UNIVERSITY OF NORTH CAROLINA AT GREENSBORO



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## ABOUT THE RESEARCHER

**Dr. Keith G. Debbage** is a professor of urban development in the Department of Geography at the University of North Carolina at Greensboro and a Coleman Entrepreneurship Fellow. His principal research interests include urban economic development and city planning, air transportation, and the economic geography of tourism. Dr. Debbage is the author of over 80 research publications including a book, book chapters, contracted reports and various academic journal articles in the *Annals of Tourism Research*, the *Journal of Air Transport Management*, the *Journal of Transport Geography*, *Policy Studies Review*, *Regional Studies*, the *Professional Geographer*, *Tourism Management*, *Transportation Quarterly*, *Urban Geography* and others. He has co-authored a book titled *The Economic Geography of the Tourist Industry: A Supply-side Analysis* and published 14 other book chapters. Dr. Debbage has been quoted in *Business Week*, the *Chronicle of Higher Education*, the *New York Times*, *USA Today*, and the *Wall Street Journal* and published nearly 100 op-ed columns with the *Greensboro News and Record* and the *Triad Business Journal*. He has been a Visiting Research Scholar at both the University of Northumbria and the University of Surrey in the United Kingdom. Dr. Debbage was appointed in 2007 to the UNC Tomorrow Scholars Council by UNC System President Erskine Bowles. In 2008, Dr. Debbage was selected as a GlaxoSmithKline Faculty Fellow with the Institute for Emerging Issues at North Carolina State University. Since 2003, he has prepared the annual Greensboro State of the City Report for the Greensboro Partnership. He has generated nearly \$1 million in funded, contracted work in the region and state with Action Greensboro, the Alamance County Chamber of Commerce, the Bryan Foundation, the City of Greensboro Planning Department, the Community Foundation of Greater Greensboro, the Greensboro Partnership, the Greensboro Chamber of Commerce, HDR Inc., NewBridge Bank, the North Carolina Biotechnology Center, the North Carolina Department of Commerce, the Piedmont Triad Partnership, and the Triad Chambers of Commerce.

# EXECUTIVE SUMMARY

## INTRODUCTION AND BACKGROUND

Housing is a critical part of a community's infrastructure, as important as schools, roads, and bridges. Housing that is affordable to individuals and families is an essential building block of livable communities and crucial to a growing economy, enabling employers to attract and retain a qualified workforce.

Although the cost of housing in Greensboro is much lower than in many other large, and fast growing metropolitan areas like San Francisco and New York City, Greensboro has consistently had a persistent shortage of housing that is both good quality and affordable for low to moderate income households, especially regarding rental households. Building a more diversified and affordable housing stock in Greensboro will not only partially remedy the problem, it can also generate significant benefits beyond the affordable housing occupants to the community at large.

## PURPOSE AND RATIONALE

The overall purpose of this report is to quantify both the scope of the affordable housing challenge facing Greensboro and the wide range of community benefits that might accrue from additional investments in affordable housing. Each year both North Carolina and Greensboro invest substantial resources to help residents find affordable housing, but what does the broader community get in return for this investment?

## METHODOLOGY

According to the U.S. Department of Housing and Urban Development (2016), families who pay more than 30 percent of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care. Within the literature, this is considered the standard definition for affordability and will be used throughout this Report.

In analyzing Greensboro's affordable housing trends from 2010 to 2014, much of the analysis will be based on data sourced to the U.S. Census Bureau American Community Survey (ACS) including the following metrics:

- Number of Unaffordable Renter and Owner-Occupied Housing Units
- Median Gross Rent and Rental Vacancy Rate
- Percent of Unaffordable Housing Units in Greensboro, North Carolina and the U.S.

The community benefit assessment of affordable housing will be grounded in an extensive literature review of best practice in terms of the specific benefits generated by workforce/affordable housing focused in particular on the following themes:

- Economic Benefits
- Health Benefits
- Education Benefits
- Environmental Benefits

## **FINDINGS**

### **A. THE CHALLENGE**

Working families in Greensboro increasingly cannot afford basic housing, especially since 2012, and particularly in the rental housing market. The rising costs of utilities and transportation, a legacy of developing affordable housing away from areas of opportunity, and a lack of jobs with sufficient wages all likely contribute to the problem.

#### **THE NUMBER OF UNAFFORDABLE HOUSING UNITS IN GREENSBORO IS LARGE AND GROWING**

Housing units are considered cost-burdened or unaffordable when families pay more than 30% of their income on housing (HUD 2016). Although the number of cost-burdened housing units in Greensboro declined from 43,118 units in 2010 to a five year low of 39,619 units in 2012, the housing situation has worsened significantly since that point. In 2014, the number of

cost-burdened housing units in Greensboro totaled 43,026 units – an 8.6% increase compared to 2012, and the largest number of cost-burdened units since 2010

### **MOST OF THE COST-BURDENED HOUSING UNITS IN GREENSBORO ARE RENTAL UNITS**

The recent increase in the number of cost-burdened housing units in Greensboro is largely linked to the substantive increase in unaffordable rental housing units. In 2014, just over two-thirds (i.e., 68.6%) of all cost-burdened housing in Greensboro were rental units. Additionally, since 2012, the number of unaffordable rental units in Greensboro has increased from 24,173 to 29,507 in 2014 – a 22.1% increase

### **NEARLY TWO IN FIVE OCCUPIED HOUSING UNITS IN GREENSBORO ARE UNAFFORDABLE**

Nearly two in five housing units in Greensboro in 2014 can be considered cost-burdened (i.e., 38.0%) when compared to the total number of occupied units in the City. The situation has worsened since 2012 even though, by contrast, both North Carolina and the United States as a whole have experienced long-term declines in the share of cost-burdened housing units over the past five years.

## **B. THE BENEFITS**

Although Greensboro seems to be facing a substantive affordable housing challenge moving forward, the various benefits of building and/or rehabilitating additional affordable housing units can extend far beyond the occupants to the community at large. Strategic investments in affordable housing can revitalize neighborhoods, stimulate reinvestment, increase the property tax base, and strengthen the housing market.

### **THE ECONOMIC BENEFITS**

#### **One-time and Ongoing Job Creation and Spending**

The National Association of Home Builders (NAHB) (2010) estimates that building 100 new Low-Income Housing Tax Credit (LIHTC) units for

families leads to the creation of 80 jobs from the direct and indirect effects, and 42 jobs from the induced effects of the spending.

### **Positive Fiscal Impacts for State and Local Government**

The NAHB estimates that 100 units of affordable housing for families generates the same amount of one-time revenue for jurisdictions as does a comparable market-rate property – roughly \$827,00 on average – with more than half coming from permit/impact fees and utility user fees

### **Homebuyers Who Participate In Affordable Homeownership Programs Are Less Likely to Experience Foreclosure**

Recent research suggests that low- and moderate-income households who participate in affordable homeownership programs have a much lower risk of delinquency and foreclosure than similar buyers with prime or subprime loans

## **THE HEALTH BENEFITS**

### **Costs to Health Care Systems Were Lower After People Moved Into Affordable Housing, and Emergency Department Visits Dropped**

A recent study found that total Medicaid expenditures were 12% lower the year after moving into affordable housing than the year before based on an analysis of 1,625 individuals in the Portland, OR area. Additionally, outpatient primary care utilization increased 20% in the year after moving in, while Emergency Department use fell by 18%.

### **Building Affordable Housing Can Free-Up Family Resources For More Nutritious Food and Health Care Expenditures**

Research shows that families that spend excessive amounts of their income for housing often have insufficient funds remaining to meet other essential needs, including food, medical insurance, and health care

## **Well-Constructed and Well-Maintained Affordable Housing Can Reduce Health Problems Associated with Poor-Quality Housing**

When families have few affordable housing options, they may be forced to live in substandard housing that puts residents at risk of lead poisoning, asthma, and accidental injury. Communities that have implemented healthy affordable housing renovations like ventilations, heating, insulation, and accessibility modifications have decreased rates of acute hospitalizations among children and adults

### **THE EDUCATION BENEFITS**

#### **Improved School Performance by Reducing the Number of Disruptive Moves**

Affordable housing can reduce the likelihood that a family will be forced to move as a result of an eviction, foreclosure, rent increase or other financial challenge. Impoverished children who move three or four times prior to turning six years old demonstrate increased behavior and attention problems.

#### **Reduced Overcrowding and Other Housing-Related Stress can Enhance Academic Achievement**

Studies have found that children growing up in overcrowded unaffordable housing have lower math and reading scores, complete fewer years of education, more commonly fall behind in school, and are less likely to graduate from High School than their peers.

### **THE ENVIRONMENTAL BENEFITS**

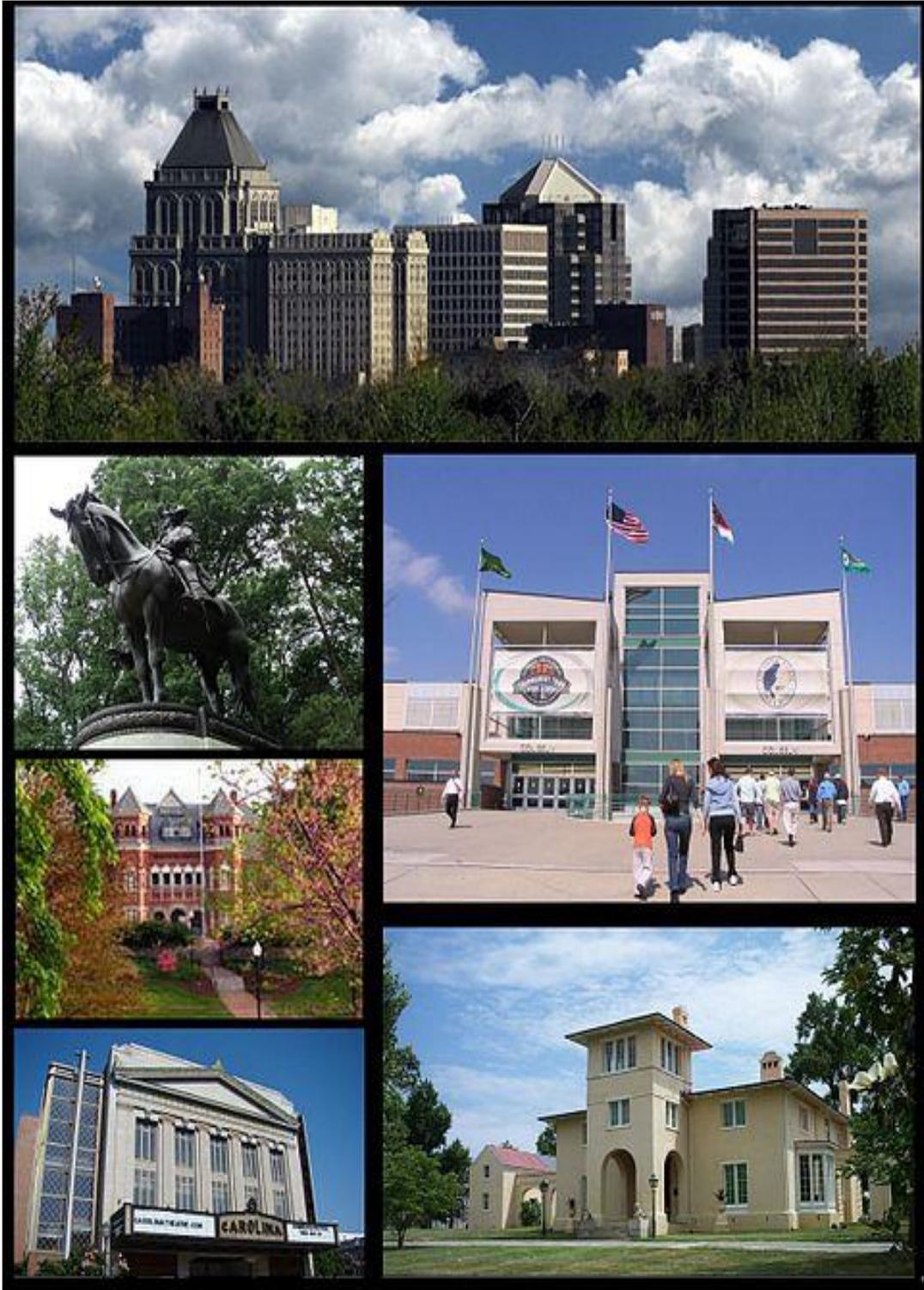
#### **Green Building Strategies (e.g., Energy-Efficient Affordable Housing) can Lower Monthly Energy Costs**

The United States Department of Energy (2010) estimates that low-income families who participate in the federal Weatherization Assistance Program can reduce their energy expenditures by an average of \$437 per year.

## CONCLUSION AND IMPLICATIONS

Significant housing affordability challenges remain for large numbers of working households, particularly renters, in Greensboro. Additionally, rising rents make it increasingly difficult for working renters in Greensboro to save enough money for a down payment on a home. In order to build wealth, working families in Greensboro need both affordable rental housing and better access to efficient forms of credit and down payment assistance programs that can help them overcome the current barriers to homeownership.

Building more affordable housing units in Greensboro can have several beneficial impacts. Researchers have documented a wide variety of positive economic, health, educational and environmental effects of affordable housing beyond the cost savings to residents from lower rents and mortgage payments. Affordable housing construction can boost local economic activity through expenditures on construction labor, materials and services in the local economy that can, in turn, stimulate job creation. Additionally, by reducing involuntary resident mobility, access to affordable housing can also produce important benefits for residents in the form of improved school performance and improved health outcomes.



## INTRODUCTION AND BACKGROUND

Housing is a critical part of a community's infrastructure, as important as schools, roads, and bridges. Housing that is affordable to individuals and families is an essential building block of livable communities and crucial to a growing economy, enabling employers to attract and retain a qualified workforce.

That said, when communities assess their most important assets, the most commonly listed items tend to be such things as high-quality jobs, good schools, parks and open space, a vibrant arts and entertainment sector, and a well-connected infrastructure. Not many communities tout the ample supply of affordable housing as a crucial asset. In part, this is because frequently the focus when analyzing affordable or workforce housing tends to be more on the costs to taxpayers even though the development of affordable homes can generate significant economic and community benefits.

Cohen and Wardrip (2011) have argued that as cities and counties across America attempt to better manage revenues and expenditures, and prioritize how to spend scarce resources, policymakers and planners need to better understand the benefits of well-designed affordable housing programs. These sorts of programs are more important than ever, as research demonstrates that housing affordability has worsened significantly in recent years.

According to Ault (2016), more than 9.6 million low and moderate income US working households were severely housing cost burdened in 2014 which includes households that spend more than half of their income on housing costs. As the nation continues to gradually emerge from the Great Recession of 2008/9, housing costs have begun to rise particularly for working renters.

Although the cost of housing in Greensboro is much lower than in many other large, and fast growing metropolitan areas like San Francisco and New York City, Greensboro has consistently had a persistent shortage of housing that is both good quality and affordable for low to moderate income households, especially regarding rental households. Building a more diversified and affordable housing stock in Greensboro will not only partially remedy this problem, it can also generate significant benefits beyond the affordable housing occupants to the community at large.



In addressing these issues, this White Paper on Affordable Housing will attempt to answer these questions in two fundamental ways. First, a brief statistical analysis of workforce/affordable housing trends in Greensboro will be conducted grounded in U.S. Census Bureau American Community Survey (ACS) data to better understand the community's affordable housing trends and challenges over time. Second, a broad-based assessment of the economic and community development benefits of workforce/affordable housing will be conducted based on Best Practice analysis from across the country.

## METHODOLOGY

### A WORKING DEFINITION OF AFFORDABLE HOUSING – THE 30% CRITERION

According to the U.S. Department of Housing and Urban Development (2016), families who pay more than 30 percent of their income for housing are considered cost burdened (or unaffordable) and may have difficulty affording necessities such as food, clothing, transportation and medical care. Within the literature, this is considered the standard definition for affordability and will be used throughout this Report.

It should be noted that this working definition has been subject to some criticism particularly regarding the fact that it simply compares direct housing costs (rent plus utilities) to income and ignores differences in costs related to neighborhood quality or accessibility (Fisher et al. 2009; Pivo 2013). However, there are disagreements over how to accurately estimate many of these non-housing needs (such as school quality, health-care and childcare, job accessibility, and environmental hazards) at the neighborhood level.

Affordable housing can take many forms, and this Report uses the term broadly to encompass all housing developed at levels affordable to low- and moderate-income households.

### DATA SOURCES

In analyzing Greensboro's affordable housing trends from 2010 to 2014, much of the analysis will be based on data sourced to the U.S. Census Bureau American Community Survey (ACS) including the following metrics:

- Number of Unaffordable Renter and Owner-Occupied Housing Units
- Median Gross Rent and Rental Vacancy Rate
- Percent of Unaffordable Housing Units in Greensboro, North Carolina and the U.S.

The ACS and HUD consider units unaffordable or cost-burdened when the Gross Rent (for renters) or Selected Monthly Owner Costs (SMOC) (for owners) accounts for 30% or more of household income. The ACS defines Gross Rent and SMOC as follows:

- **Gross Rent** is defined as the contract rent plus the estimate average monthly cost of utilities (electricity, gas, water, and sewer) and fuels (oil, coal, kerosene, wood, etc.) if these are paid by the renter (or paid for the renter by someone else). Using gross rent eliminates rent differentials that result from varying practices with respect to including utilities and fuels as part of the rental payment.
- **SMOC** is defined as the sum of payments for mortgages, deeds of trust, contracts to purchase, or similar debts on the property (including payments for the first mortgage, second mortgage, home equity loans, and other junior mortgages); real estate taxes; fire, hazard and flood insurance on the property; utilities (electricity, gas, water, and sewer); fuels (oil, coal, kerosene, wood, etc.). It also includes, where appropriate, monthly condominium fees or mobile home costs (installment loan payments, personal property taxes, site rent, registration fees, and license fees).

The overall analysis will quantify the magnitude and ongoing persistence of the affordable housing challenge facing Greensboro in the post-recession years. The ACS is a nationwide survey that allows communities online access to current demographic and housing data on an annual basis. Instead of waiting 10 years for the decennial census data, the annual ACS makes it possible for communities to make more accurate, timely and informed decisions. The 2014 ACS provided data for geographic areas with a total population of 65,000 or more. The annual sample size expanded from about 800,000 addresses in 1,240 counties in 2004 to approximately 3 million addresses in 3,141 U.S. counties in 2014.

## COMMUNITY BENEFIT METRICS

The community benefit assessment of affordable housing will be grounded in an extensive literature review of best practice in terms of the specific benefits generated by affordable housing focused in particular on the following themes:

### **Economic Benefits**

- Direct, Indirect and Induced Effects of Affordable Housing Construction
- The Fiscal Benefits of the Development and Rehabilitation of Affordable Housing
- Foreclosure Cost Mitigation for Municipalities Offering Affordable Homeownership Programs

### **Health Benefits**

- Lowering Health Care System Costs and Reducing the Number of Emergency Department Visits
- Freeing Up Family Resources for more Nutritious Food and Health Care Expenditures
- More Positive Health Outcomes Due To Better Quality Affordable Housing

### **Education Benefits**

- Better School Performance due to Fewer Disruptive Housing Moves and Reduced Stress
- Reduced Overcrowding That Leads To Enhanced Academic Achievement

### **Environmental Benefits**

- Green Building Strategies (e.g., Energy-Efficient Affordable Housing) That Can Lower Monthly Energy Costs

## FINDINGS

### A. THE CHALLENGE

Working families in Greensboro increasingly cannot afford basic housing, especially since 2012, and particularly in the rental housing market. The rising costs of utilities and transportation, a legacy of developing affordable housing away from areas of opportunity, and a lack of jobs with sufficient wages all likely contribute to the problem.

#### **THE NUMBER OF UNAFFORDABLE HOUSING UNITS IN GREENSBORO IS LARGE AND GROWING**

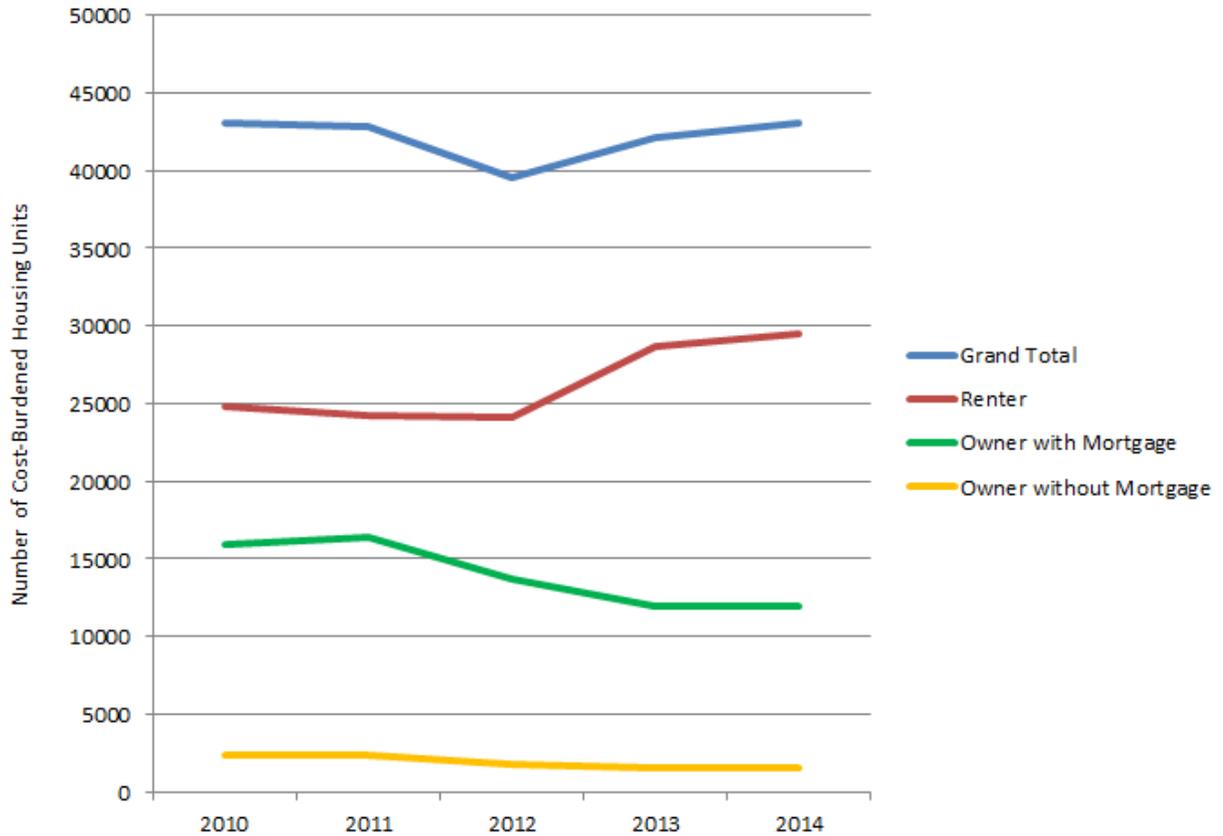
Housing units are considered cost-burdened or unaffordable when families pay more than 30% of their income on housing (HUD 2016). Families in unaffordable housing are at risk of losing their housing altogether, cannot meet other basic household needs, and may live in overcrowded or substandard conditions, leading to additional family problems.

Although the number of cost-burdened housing units in Greensboro declined from 43,118 units in 2010 to a five year low of 39,619 units in 2012, the housing situation has worsened significantly since that point. In 2014, the number of cost-burdened housing units in Greensboro totaled 43,026 units – an 8.6% increase compared to 2012, and the largest number of cost-burdened units since 2010 (Figure 1 and Appendix One).

#### **MOST OF THE COST-BURDENED HOUSING UNITS IN GREENSBORO ARE RENTAL UNITS**

The recent increase in the number of cost-burdened housing units in Greensboro is largely linked to the substantive increase in unaffordable housing units in the rental market. In 2014, just over two-thirds (i.e., 68.6%) of all cost-burdened housing in Greensboro were rental units. Additionally since 2012, the number of cost-burdened rental units in Greensboro was

fairly large and had increased from 24,173 to 29,507 in 2014 – a 22.1% increase (Figure 1 and Appendix One).



<sup>1</sup> Cost-Burdened – Housing Units are Considered Cost-Burdened when Families Pay More Than 30% of Their Income On Housing (HUD 2016)

**Figure 1. Number of Cost-Burdened<sup>1</sup> Housing Units in Greensboro: 2010 –2014**

By contrast, the number of unaffordable owner-occupied housing units in Greensboro has steadily declined throughout this time period. The number of cost-burdened housing units with a mortgage dropped from 15,968 in 2010 to 11,998 in 2014 – a 24.9% decrease. In 2014, the number of owners with cost-burdened housing units without a mortgage was relatively small (i.e., 1,521 units).

According to Ault (2016), more U.S. working households are now renting their homes as opposed to buying them – 52.6% of working households in America were renters in 2014 compared to just 50.8% in 2011. Greensboro has experienced similar trends as home ownership rates in the city have declined from a five year high of 56.5% in 2011 to a five year low of 47.9% in 2014 (Debbage 2016).

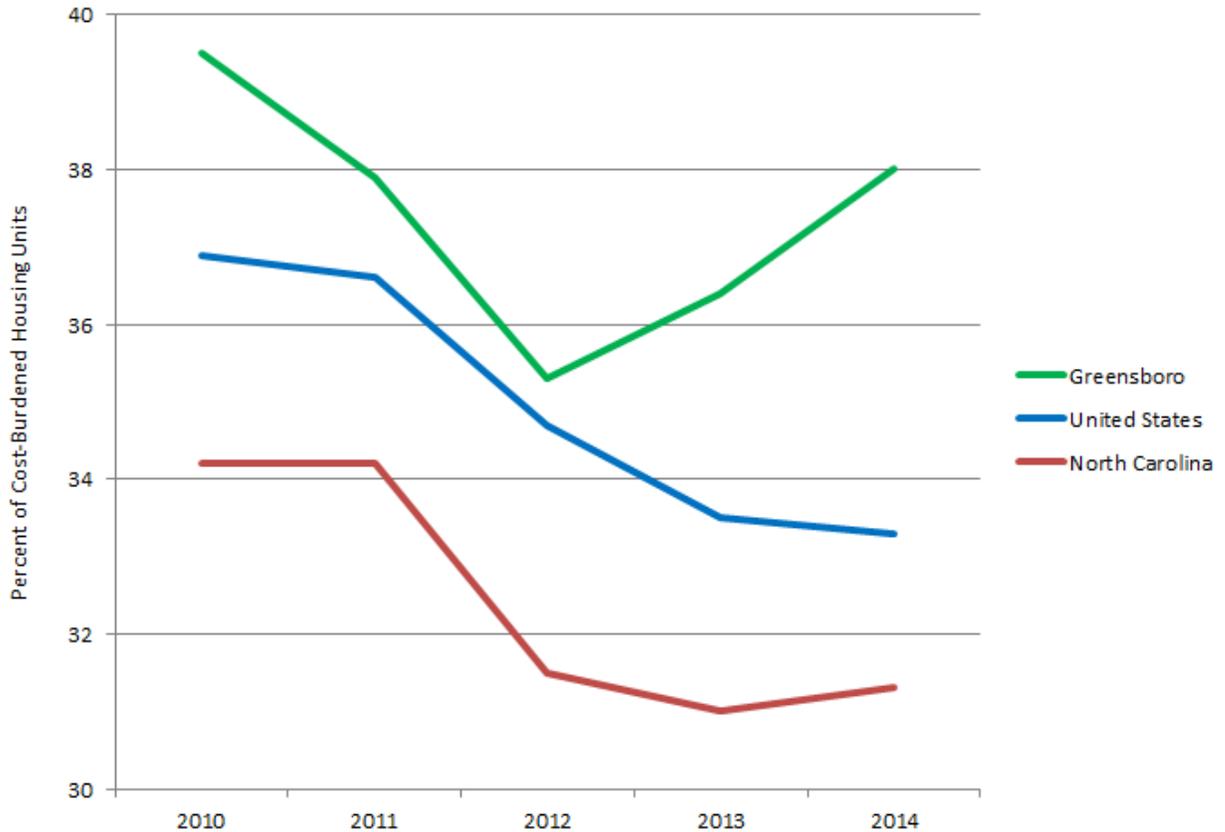
The declining homeownership rates are partly linked to the lingering effects of the foreclosure crisis that pushed many homeowners into the rental market. Another contributing factor is the difficulties that many low-to-moderate income households face in qualifying for a mortgage and saving enough money for a down payment. Additionally, as millennial workers start to form their own households, they have increasingly preferred to rent than own in order to be more “footloose” given the turbulent nature of the contemporary labor market. The end result is that the increased demand for rental units has pushed rents upwards while simultaneously driving down vacancy rates (Ault, 2016).

In Greensboro, the median gross rent has increased from a five year low of \$691 in 2010 to a five year high of \$778 in 2014 – a 12.6% increase (Appendix One). At the same time, the rental vacancy rate has declined from 14.2% in 2010 to 10.5% in 2014. Many working renter households in Greensboro are spending an increasingly larger proportion of their incomes on housing costs which may be pushing many families into poverty. In order to build wealth in Greensboro, it would appear that many working families particularly need more affordable rental housing opportunities.

## **NEARLY TWO IN FIVE HOUSEHOLDS IN GREENSBORO ARE UNAFFORDABLE**

In 2014, nearly two in five housing units in Greensboro (i.e., 38.0%) were considered unaffordable or cost-burdened when compared to the total number of occupied units in the City (Figure 2 and Appendix One). The situation has worsened in Greensboro since 2012 even though both North Carolina and the United States in the aggregate have experienced long-term declines in the share of cost-burdened housing units coming out of the Great Recession.

For example, less than one-third of all housing units in North Carolina (31.3%) were classified as cost-burdened in 2014 while the comparable figure for the United States was 33.3% - far below the equivalent figure for Greensboro. Of course, much of the problem in Greensboro lies in the rapid increases in price-prohibitive rental housing units rather than with owner-occupied units.



<sup>1</sup> Cost-Burdened – Housing Units are Considered Cost-Burdened when Families Pay More Than 30% of Their Income On Housing (HUD 2016)

**Figure 2. Proportion of Cost-Burdened<sup>1</sup> Housing Units (%) in Greensboro, North Carolina and the United States: 2010 –2014**

According to Ault (2016), the national share of working households with a severe housing cost burden has dropped since 2011 due to declining home values in some parts of the country but also due to recent modest increases in incomes in many metropolitan areas. These trends have not played out in

Greensboro, in part, because rental rates have increased significantly over the past five years while per capita income and average wage rates have been largely stagnant, and the poverty rate has been persistently high (roughly averaging 20% over the past five years) (Debbage 2016).

## **B. THE BENEFITS**

Although Greensboro seems to be facing a substantive affordable housing challenge moving forward, the various benefits of building and/or rehabilitating additional affordable housing units can extend far beyond the occupants to the community at large. Strategic investments in affordable housing can revitalize neighborhoods, stimulate reinvestment, increase the property tax base, and strengthen the housing market. Furthermore, safe, decent, and affordable housing can also be the foundation of stable families, early childhood development, improved school performance and better health outcomes for a community.

In this Report, the assessment of the varied community benefits generated by affordable housing initiatives will be grounded in an extensive literature review of best practice from across the country. The analysis will include an assessment of the role of affordable housing in:

- creating jobs and stimulating economic development
- generating positive health outcomes in a community
- increasing the opportunities for educational success, and
- lowering monthly energy costs by embracing Green Building strategies

## **THE ECONOMIC BENEFITS**

The development of affordable housing can generate additional jobs and increase economic activity from construction expenditures, as well as from follow-on expenditures by construction workers and firms in the local economy. New affordable housing developments can also act as an important source of revenue for local governments and reduce the likelihood of foreclosures and its associated costs.

### **One-time and Ongoing Job Creation and Spending**

A number of studies have been conducted that quantify and measure the local economic impacts stemming from the development of affordable/workforce housing. Many of these studies examine the “ripple” or “multiplier” effect of affordable housing developments as they generate

various rounds of spending and jobs in a local economy. The analysis typically includes the impact of direct, indirect and induced spending on local economic development.

Direct spending includes the funds spent by the builder directly on materials and labor. If the builder purchases supplies like windows and doors from a local supplier, the supplier may have to, in turn, spend money on additional materials and hire additional help – the so-called indirect effects. The induced effects are the additional spending triggered by the increased wages of the construction workers and related suppliers as they spend money in the local economy at, for example, the local grocery store or shopping center.

The National Association of Home Builders (2010) estimates that building 100 new Low-Income Housing Tax Credit (LIHTC) units for families leads to the creation of 80 jobs from the direct and indirect effects, and 42 jobs from the induced effects of the spending (Table 1). Furthermore, building 100 LIHTC family units also lead to the long-term creation of 30 new jobs that support the ongoing consumer activity of the new LIHTC residents. The NAHB estimates that new residents would generate earnings for local business owners and employees in excess of \$2 million annually. It should also be noted that the employment impacts of 100 senior LIHTC units or a similarly sized market-rate property generates comparable effects (Table 1).

It should be noted that the LIHTC is a dollar-for-dollar tax credit for affordable housing investments that was created under the 1986 Tax Reform Act. It provides incentives for the utilization of private equity in the development of affordable housing aimed at low-income residents, and accounts for a large majority of all affordable rental housing in the United States. The key role LIHTC plays in the rental market is a crucial point given the large and rising number of cost-burdened rental units in Greensboro.

Figure 3 illustrates in more detail the mix of jobs that is created directly and indirectly from the construction of a 100-unit LIHTC development. Most of these direct and indirect jobs are typically generated in the construction industry but the induced and ongoing effects generate a more diverse array of jobs as the spending ripples through the local economy. The end result is additional employment in sectors as diverse as wholesale/retail trade, health and education, and eating and drinking establishments.

**Table 1. Number of Jobs Created During and After the Construction of a 100-Unit Low-Income Housing Tax Credit (LIHTC) Multi-Family Property**

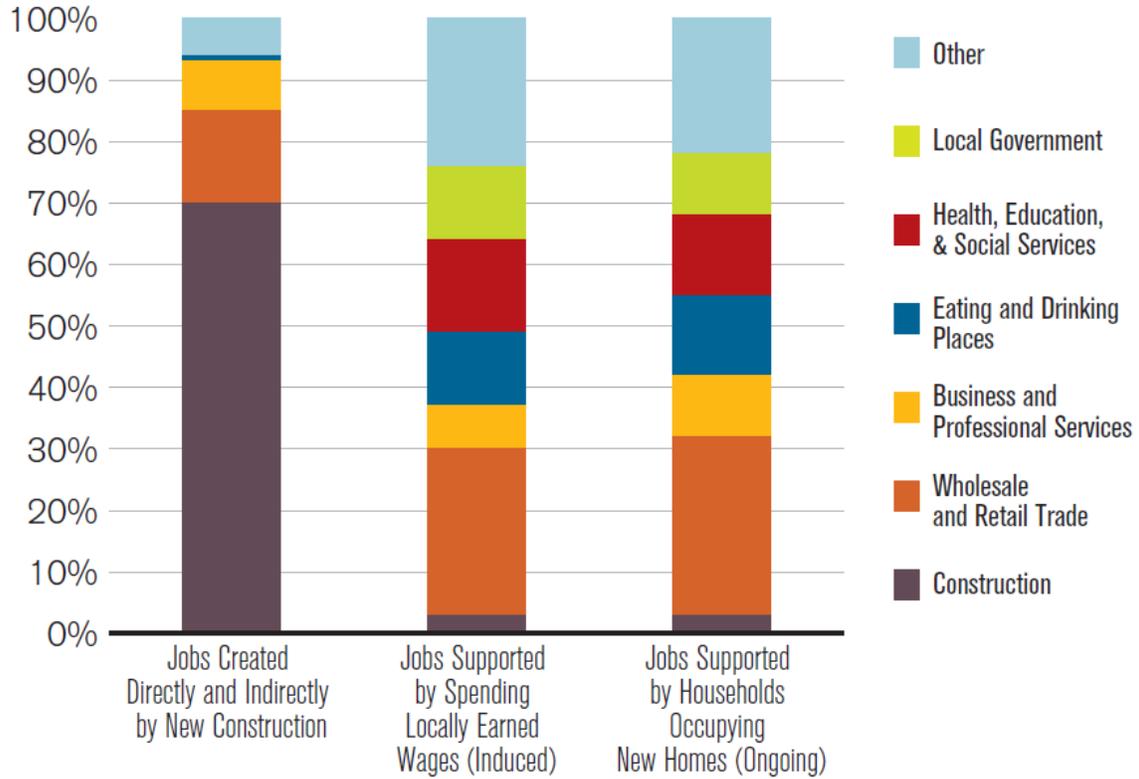
	Family LIHTC	Senior LIHTC	Market-Rate Apartments
Jobs Created Directly and Indirectly by New Construction	80	75	80
Jobs Supported by Spending Locally Earned Wages (Induced)	42	39	42
Jobs Supported by Households Occupying New Homes (Ongoing)	30	32	32

Source: National Association of Home Builders (2010, 2009) and Wardrip (2011)

One issue with the NAHB analysis is that it is national in scope and may not necessarily match the circumstances of any particular region or city.

Although no comparable work has yet been conducted for Greensboro, one of the peer cities featured in the annual Greensboro State of the City Report (Debbage 2016) has recently analyzed the economic impact of affordable housing in its community.

According to the Louisville Affordable Housing Trust Fund, Inc. (2012), every \$1 million invested in affordable housing in Louisville creates as many as 84 units of affordable housing and supports 112 jobs, and generates more than \$6.4 million in local revenue (including \$596,400 in local tax revenue). On an ongoing annual basis, the economic impact of having these units of affordable housing occupied includes 44 jobs supported and more than \$3 million generated in local revenue.



Source: National Association of Home Builders (2010) and Wardrip (2011)

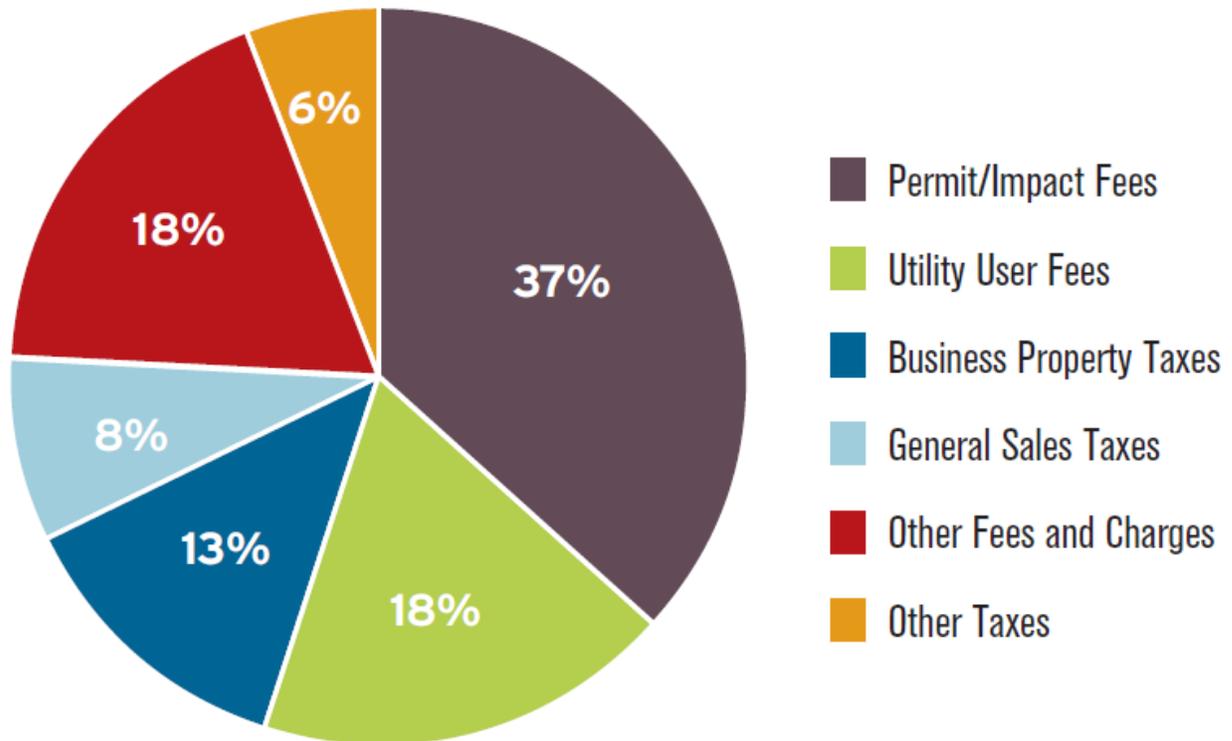
**Figure 3. Types of Jobs Created During and After the Construction of a 100-Unit Multi-Family Low-Income Housing Tax Credit (LIHTC) Property**

**Positive Fiscal Impacts for State and Local Government**

The Louisville analysis illustrates that the economic impact of affordable housing is not just restricted to jobs because it can also create positive fiscal impacts for both State and Local Governments. When affordable homes are built or rehabilitated, the funds flowing to cities and states can be considerable (Wardrip 2011). These revenues can take the form of fees for permitting, zoning and utilities, or property taxes generated by construction-related activity.

The NAHB estimates that 100 units of affordable housing for families generates the same amount of one-time revenue for jurisdictions as does a comparable market-rate property – roughly \$827,00 on average – with more

than half coming from permit/impact fees and utility user fees (NAHB 2010, Wardrip 2011) (Figure 4). It should be noted that while these estimates provide an important national baseline they would need to be adjusted when applied to any specific housing market or development.



Source: National Association of Home Builders (2010) and Wardrip (2011)

**Figure 4. One-Time Sources of Local Revenues for a 100-Unit Multi-Family Low-Income Housing Tax Credit (LIHTC) Property**

### **Homebuyers Who Participate In Affordable Homeownership Programs Are Less Likely to Experience Foreclosure**

Recent research suggests that low- and moderate-income households who participate in affordable homeownership programs have a much lower risk of delinquency and foreclosure than similar buyers with prime or subprime loans (Wardrip 2011).

According to Cohen and Wardrip (2011, p.2), “reducing foreclosures not only helps stabilize neighborhoods, but also yields significant savings for local governments that may otherwise have to absorb costs related to property maintenance, court and legal expenses, increased police and social services for the affected neighborhoods, and in some cases, demolition of abandoned houses.”

In a study that featured a large number of borrowers from North Carolina and Georgia, Ding *et al.* (2010), found that among low- and moderate-income borrowers with similar profiles, subprime borrowers were three to five times more likely to default on their mortgage than those who received prime loans through an affordable lending program that provided sound mortgage products with more flexible lending standards.



The municipal costs of foreclosure are considerable and can stem from a number of sources, including: foregone property taxes, utility revenues, and other taxes and fees; property maintenance such as boarding and trash removal; recordkeeping; court and legal expenses; and demolition at public

expense. According to Apgar and Duda (2005), costs rise to more than \$19,000 per property in “walkaway” cases and can reach \$34,000 in the event that criminal activity at a walkaway results in a fire before the home is demolished.

These matters are not inconsequential in Greensboro. According to a recent report by California research company RealtyTrac (*Greensboro News and Record* 2015), Greensboro was the second worst place in North Carolina for foreclosures. In September 2015, Charlotte had 2,226 homes in some stage of foreclosure followed by Greensboro with 749 homes.

## **THE HEALTH BENEFITS**

It is important for policymakers to understand that safe, adequate and affordable housing is not just shelter but also an investment in good health for low income households (Center for Outcomes Research and Education, 2016; Cohen 2011; Maqbool *et al.*, 2015). Most directly, affordable housing can free up resources that can then be made available to pay for health care and healthy food. Stable and affordable housing can also help nurture mental health by limiting various stressors related to the financial burdens of expensive housing.

### **Costs to Health Care Systems Were Lower After People Moved Into Affordable Housing, and Emergency Department Visits Dropped**

The Center for Outcomes Research and Education (CORE) (2016) – an independent research group located in Portland, OR – recently completed one of the first studies to directly assess the impact on health care costs when low-income individuals move into affordable housing.

They found that total Medicaid expenditures were 12% lower the year after moving into affordable housing than the year before based on an analysis of 1,625 individuals in the Portland, OR area (Figure 5). The analysis included family housing (FAM), permanent supportive housing (PSH), and housing for seniors and people with disabilities (SPD). Additionally, outpatient primary care utilization increased 20% in the year after moving in, while Emergency Department use fell by 18%.

# 1 Costs to health care systems were lower after people moved into affordable housing.

- Total Medicaid expenditures declined by 12 percent.
- Declines in expenditures were seen for all housing types.
- IMPLICATION: *Access to affordable housing will likely drive down costs to the health care system.*

Overall	FAM	PSH	SPD
-12%	-8%	-14%	-16%

# 2 Primary care visits went up after move-in; emergency department visits went down.

- Outpatient primary care utilization increased 20 percent in the year after moving in, while ED use fell by 18 percent.
- Similar trends were observed for each housing type.
- IMPLICATION: *Affordable housing helps meet major health reform utilization metrics.*



Source: Center for Outcomes Research and Education (2016)

**Figure 5. The Impact on Health Care Systems When Low-Income Individuals Move Into Affordable Housing**

### **Freeing Up Family Resources for more Nutritious Food and Health Care Expenditures**

Families that spend excessive amounts of their income for housing often have insufficient funds remaining to meet other essential needs, including food, medical insurance, and health care (Cohen 2011; Maqbool *et al.* 2015). Alexander *et al.* (2014) found that low-income households that spent more than half their income on housing costs spent less on food and health care compared to households spending 30% or less of their income on housing. Fletcher *et al.* (2009) indicated that increases in statewide average rents are correlated with increased rates of food insecurity among families with children.

The food insecurity issue has relevance in Greensboro because in 2015 the Food Research and Action Center – a think tank based in Washington D.C. – ranked the Greensboro-High Point metropolitan area first in food hardships. The ranking is based on the percentage of households where members say they did not have enough money to buy food at some time during the past 12 months. Nationally, 17 percent of households reported experiencing some level of food insecurity but the comparable figure in Greensboro was 27.9%. It is possible that the large proportion of cost-burdened housing units and rising rental rates in Greensboro (Appendix One) might be exacerbating the food insecurity challenges facing our community.

### **Well-Constructed and Well-Maintained Affordable Housing Can Reduce Health Problems Associated with Poor-Quality Housing**

When families have few affordable housing options, they may be forced to live in substandard housing that puts residents at risk of lead poisoning, asthma, and accidental injury (Cohen 2011; Maqbool *et al.* 2015). Conversely, projects that have implemented healthy affordable housing renovations like ventilations, heating, insulation, and accessibility modifications have decreased rates of acute hospitalizations among children and adults (Jackson *et al.* 2011). In most cases, the improvements in clinical outcomes and corresponding health care costs are greater than the costs of the housing improvements.

The recent challenges faced by the City of Greensboro regarding the low-income Heritage House condominiums located on West Meadowview Road

in south central Greensboro illustrate the magnitude of this issue. In 2014, City inspectors found more than 800 building code violations including animal feces on the floors. The end result is that the City has had to start acquiring all 177 units and develop a Redevelopment Plan at great expense to the City. In late 2015, Greensboro City Council voted to allocate \$1.2 million to help fund the Heritage House purchase. Furthermore, many of the predominantly low-income residents that were forced to move had very limited housing options and many suffered from significant health challenges (Figure 6).



Source: Greensboro News and Record (2014)

**Figure 6. Heritage House Residents in Greensboro Prepare to Move Before the Complex Is Officially Closed, July 2014**

## **THE EDUCATION BENEFITS**

According to Brennan *et al.*(2014), a growing body of literature suggests that stable, affordable housing may increase academic performance and student achievement. Some of this research suggests that affordable housing can foster the educational success of low-income residents by supporting family financial stability, reducing overcrowding, and reducing the frequency of disruptive moves.

### **Improved School Performance by Reducing the Number of Disruptive Moves**

Affordable housing can reduce the likelihood that a family will be forced to move as a result of an eviction, foreclosure, rent increase or other financial challenge. A stable home environment can, in turn, positively impact student achievement. Impoverished children who move three or four times prior to turning six years old demonstrate increased behavior and attention problems (Ziol-Guest and McKenna 2014). Additionally, the negative association between residential moves during early elementary school and reading performance continues to manifest itself more dramatically in later grades (Voight *et al.* 2012). It should be noted that not all moves will hinder a child's academic achievement, particularly if a move provides access to a higher quality school system.

### **Reduced Overcrowding and Other Housing-Related Stress can Enhance Academic Achievement**

By helping families afford decent homes of their own, affordable housing can improve children's educational achievement by reducing economic reasons for overcrowding (Brennan *et al.* 2014). Studies have found that children growing up in overcrowded housing have lower math and reading scores, complete fewer years of education, more commonly fall behind in school, and are less likely to graduate from High School than their peers (Goux and Maurin 2005). Evans *et al.* (2010) found evidence connecting lower cognitive development with reduced parental responsiveness in more crowded homes.

## **THE ENVIRONMENTAL BENEFITS**

### **Green Building Strategies (e.g, Energy-Efficient Affordable Housing) can Lower Monthly Energy Costs**

The energy used by the buildings in which families live accounts for nearly 40% of the nation's total energy consumption (US Energy Information Administration 2014). By using green building techniques to increase the energy efficiency and environmental sustainability of new or renovated affordable housing, it becomes possible to lower monthly energy costs for low- to moderate-income households. The United States Department of Energy (2010) estimates that low-income families who participate in the federal Weatherization Assistance Program can reduce their energy expenditures by an average of \$437 per year.

## CONCLUSION AND IMPLICATIONS

Significant housing affordability challenges remain for large numbers of working households, particularly renters, in Greensboro. The number of unaffordable housing units in Greensboro is large and growing, particularly since 2012. Most of the cost-burdened housing units in Greensboro were renters, and nearly two in five households in Greensboro can be classified as unaffordable. Additionally, rising rents make it increasingly difficult for working renters in Greensboro to save enough money for a down payment on a home. Not surprisingly, homeownership rates in Greensboro have declined over the past four years (Debbage 2016).

In order to build wealth, working families in Greensboro need more affordable rental housing and better access to efficient forms of credit and down payment assistance programs that can help them overcome the current barriers to homeownership. Some of these programs could also be targeted to specific neighborhoods in Greensboro to help stabilize these communities.

Building more affordable housing units in Greensboro can have several beneficial impacts. Strategic investments in affordable housing can revitalize neighborhoods, stimulate reinvestment, increase the property tax base, and strengthen the housing market.

Researchers have documented a wide variety of positive economic, health, educational and environmental effects of affordable housing beyond the cost savings to residents from lower rents and mortgage payments. Affordable housing construction can boost local economic activity through expenditures on construction labor, materials and services in the local economy that can, in turn, stimulate job creation. By reducing involuntary resident mobility, whether due to eviction, an inability to make rent payments, or a desire to avoid unhealthy or undesirable living conditions, access to affordable housing can also produce important benefits for residents in the form of improved school performance and improved health.

## POLICY IMPLICATIONS

In terms of the policy implications, Federal policies such as Low Income Housing Tax Credits (LIHTC), the HOME Investment Partnerships Program, and the Community Development Block Grant (CDBG) program are critical for helping to address the need for more affordable rental options for lower-income working families (Ault 2016). Tax credits can provide a valuable incentive to developers for building affordable units, while Federal HOME and CDBG funds provide a means for local jurisdictions like Greensboro to create or preserve affordable properties and provide direct rental assistance to low-income households.

At the state and local levels, tax and zoning policies, along with land use regulations, can provide incentives, reduce costs, and help to bring about conditions favorable to creating and preserving affordable rental housing, particularly in areas where affordable options are in very limited supply.

Creating a greater supply of affordable rental units is only half of the equation. In addition, there is a strong need to help working households to better afford their housing. According to Ault (2016), rental housing help from the U.S. Department of Housing and Urban Development (HUD) comes in many forms, including Housing Choice Vouchers, property-based Section 8 rental assistance, HOME funds, and the HUD-Veterans Affairs Supportive Housing (HUD-VASH) program. Another tool that is being increasingly used to provide for affordable housing are Community Benefits Agreements (CBAs) which are negotiated with developers of large projects or non-profit foundations. Part of those agreements can include set-asides for affordable housing developments that are linked to larger projects receiving public subsidies.

Finally, policies that address the importance of place and geography are vital to ensuring that families have access to both shelter and opportunity (including good schools, transportation and employment). Policies addressing place-related issues are key in communities like Greensboro that historically have experienced disproportionately geographically concentrated pockets of severe poverty.

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# APPENDIX ONE

### Number of Cost-Burdened<sup>1</sup> Housing Units in Greensboro: 2010 –2014

<b>Variable</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<u>Rental Units: Gross Rent as a Percentage of Household Income (GRAPI<sup>2</sup>)</u> (30% or more)					
	24,799	24,199	24,173	28,722	29,507
<u>Owner-Occupied Units: Selected Monthly Owner Costs as a Percentage of Household Income (SMOCAPI<sup>3</sup>) (30% or more)</u>					
With Mortgage	15,968	16,351	13,706	11,911	11,998
Without Mortgage	2,351	2,346	1,740	1,534	1,521
<b>Grand Total</b>	<b>43,118</b>	<b>42,896</b>	<b>39,619</b>	<b>42,167</b>	<b>43,026</b>

<sup>1</sup> Cost-Burdened – Housing Units are Considered Cost-Burdened when Families Pay More Than 30% of Their Income On Housing (HUD 2016)

<sup>2</sup> GRAPI – Gross Rent as a Percentage of Household Income

<sup>3</sup> SMOCAPI – Selected Monthly Owner Costs as a Percentage of Household Income

Source: American Community Survey, 2016

### Median Gross Rent and Rental Vacancy Rate in Greensboro: 2010 – 2014

<b>Variable</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Median Gross Rent (\$)	691	706	729	741	778
Rental Vacancy Rate (%)	14.2	10.3	9.4	9.3	10.5

Source: American Community Survey, 2016

**Proportion of Cost-Burdened<sup>1</sup> Housing Units (%) in Greensboro, North Carolina and the United States: 2010 –2014**

<b>Variable</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Greensboro	39.5	37.9	35.3	36.4	38.0
North Carolina	34.2	34.2	31.5	31.0	31.3
United States	36.9	36.6	34.7	33.5	33.3

<sup>1</sup>Cost-Burdened – Housing Units are Considered Cost-Burdened when Families Pay More Than 30% of Their Income on Housing (HUD 2016). The Proportion of Cost-Burdened Housing Units was Calculated by Dividing the Total Number of Cost-Burdened Housing Units into the Total Number of Occupied Housing Units. Vacant Housing Units were not Included in this Calculation.

Source: American Community Survey, 2016