

Affordable and Workforce Housing

The U.S. Department of Housing and Urban Development (HUD) defines housing as **affordable** if a family pays no more than 30% of its monthly income for total housing costs (rent or mortgage, taxes, insurance). Over the past several years, a strong housing market has caused a surge in home prices in Centre County, however, incomes have not kept pace. As a result, families are facing an affordability gap. Even families with two incomes or older residents trying to downsize find it difficult to enter the current home-buying market for an existing home. The populations in Centre County that are in need of affordable housing include working families of moderate to low income, elderly households, very-low income households, single-parent families of moderate to low income, and persons who are homeless or have other special needs.

Workforce housing is a term that was coined in the 1990s. It has been used to describe the gap facing those who earn too much to qualify for affordable housing subsidies, but not enough to afford a home. The Pennsylvania Housing Alliance defines workforce housing as “homes affordable to the typical worker.” In Centre County, these include a wide range of bread and butter industries, such as teachers, healthcare workers, retail workers, and others who provide essential services in our communities.

These workers make up an important and large segment of our population and will continue to grow. While there have been no guidelines established to characterize the income levels for those needing workforce housing, a general rule of thumb has been to consider incomes within the range of 60% to 120% of area median income (AMI) as able to afford workforce housing. Area Median Income is the amount which divides the income distribution into two equal groups, half having income above that amount and half having income below that amount 100%. AMI in Centre County for 2014 was \$70,100 for a family of four.



Impact of Higher Housing Costs

WHAT IS WORKFORCE HOUSING?

It's a place for your community's teachers, nurses, sales clerks, police officers, firefighters, and other professionals to live near their places of employment. It's housing that working people can afford.

WORKFORCE HOUSING...

- Contributes to the health and economic diversity of the community
- Provides stable workforce for employers
- Allows more family time by reducing commuting distances

Affordable housing is essential to a healthy, vibrant community. Retail and service industries, schools, and hospitals are impacted by the existence of affordable housing in a community. Affordable housing is crucial to maintaining an adequate labor force; it expands the tax base, decreases commuter miles, and attracts new businesses by providing a range of housing options for employees.

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. When residents experience a housing cost burden several situations tend to occur:

- Households may rent instead of own, thus losing opportunities to experience the financial benefits of owning a home.
- Households may have less income to spend on items beyond fulfilling their immediate needs.
- Households may live in less expensive regions in the county, typically a greater distance from employment opportunities, which results in increased transportation costs.
- Households may live in housing that is substandard or in poor physical condition.



A family with one full-time worker earning the minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States. — U.S. Department of Housing and Urban Development

Finding Solutions: Housing Land Trusts

A Community Land Trust is one of several resale-restricted, owner-occupied housing models, collectively known as—shared equity home ownership, which are being used in communities throughout the United States to help low and moderate income households attain — and retain— homeownership. CLTs own the land where owner-occupied homes are located. Homeowners purchase only the structural improvements, while paying a modest monthly fee to lease the underlying land from the CLT. Therefore, homeowners carry a significantly smaller mortgage than if they had bought both the home and land in the conventional market. At the time of purchase, a CLT’s homeowners agree to resale restrictions set out in the ground lease that limits the future resale price of their homes in order to keep them affordable for the next generation of lower income buyers.

The CLT acts as the long-term steward for the homes and their newly minted owners, providing pre-purchase and post-purchase guidance, oversight, and support to preserve affordability, promote sound maintenance, prevent foreclosures, and ensure the longevity and success of the homeownership opportunity that the CLT has created.”

The approach often brings stability to the wild swings that can be characteristic in housing markets. Foreclosures are virtually nonexistent at one of the most successful trusts in the country, the Dudley Street Neighborhood Initiative in Roxbury, Massachusetts. According to the Lincoln Institute of Land Policy, at the peak of the Great Recession, in 2009, conventional loans were eight times more likely to experience foreclosure than community land trust mortgages.



Centre County Housing and Land Trust

Centre County Housing and Land Trust (CCHLT) is one of over 200 community land trusts in the United States. CCHLT, along with the State College Community Land Trust, help provide affordable housing to residents of Centre County, through the community land trust model.

At Centre County Housing and Land Trust, their mission is to strengthen communities through the development and stewardship of permanently, affordable homes for people of low- to moderate-income. This means that they serve households earning 60-120% of the Area Median Income. CCHLT develops and preserves affordable homeownership opportunities through the stewardship of resale-restricted, owner-occupied housing. CCHLT also promotes, expands, and preserves homeownership through financial counseling and homeownership education.

CCHLT focuses on: “development and oversight of affordable housing; providing budget and pre- & post-purchase homeowner counseling; working with for-profit & non-profit developers; and working with local municipalities on affordable housing issues and implementing their affordable housing policies.”



Sources: Lincoln Institute of Land Policy, Centre County Housing and Land Trust, U.S. Department of Housing and Urban Development, Center County Affordable Housing Coalition, Housing Alliance of Pennsylvania

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Finding Solutions: Inclusionary Zoning

Inclusionary zoning (IZ) policies require or encourage developers to set aside a certain percentage of housing units in new or rehabilitated projects for low- and moderate-income residents. This integration of affordable units into market-rate projects creates opportunities for households with diverse socio-economic backgrounds to live in the same developments and have access to same types of community services and amenities. And because it leverages private-sector development, IZ requires fewer direct public subsidies than do many other state and federal programs that promote mixed-income communities. As importantly, the data suggests that inclusionary housing is one of the few proven strategies for locating affordable housing in asset-rich neighborhoods where residents are likely to benefit from access to quality schools, public services, and better jobs. Increasingly, communities across the country are investing in the creation of new transit-oriented urban neighborhoods, and inclusionary housing policies are one of the only ways to ensure that these places develop in an equitable manner. Ultimately, equitable development benefits not only lower-income households; integrated, inclusive, and diverse communities enhance the lives and outcomes of all residents.

For local governments facing shrinking federal and state aid, IZ offers a path to boost affordable housing supply and meet federal fair housing obligations. In neighborhoods undergoing gentrification, IZ can mitigate the displacement of existing low-income households and allow essential public-sector employees such as police officers, teachers, and firefighters to live in the communities they serve. Since the nation's first IZ ordinance was enacted 40 years ago, more than 400 jurisdictions have adopted the strategy in some form or another.

IZ programs vary in their structure; they can be mandatory or voluntary and have different set-aside requirements, affordability levels, and control periods. Most IZ programs offer developers incentives such as density bonuses, expedited approval, and fee waivers to offset some of the costs associated with providing the affordable units. Many programs also include developer opt-outs or alternatives, such as requiring developers to pay fees or donate land in lieu of building affordable units or providing the units offsite. Studies show that mandatory programs produce more affordable housing than voluntary programs, and developer opt-outs can reduce opportunities for creating mixed-income housing. At the same time, IZ's reliance on the private sector means that its effectiveness also depends on the strength of a locality's housing market, and a certain degree of flexibility is essential to ensuring the success of IZ programs. In fact, according to a Center for Housing Policy report that examines how inclusionary policies fared through the recent economic crisis, IZ policies that combined flexibility with cost offsets were better able to "endure through the housing downturn." And, because programs generally preserve long-term affordability, the pool of local inclusionary units can grow steadily into a significant share of an area's housing stock.

WHAT'S HAPPENING IN THE CENTRE REGION?

Many of the Centre Region's municipalities have taken steps to address the need for affordable and workforce housing. The following provides a snapshot of each of those efforts:

In Patton Township's Commercial Transitional District, a minimum of 16% of a tract of land can be donated to a community land trust for the development of affordable housing, as a conditional use.

College Township requires the inclusion of workforce housing whenever the residential density is five or more dwelling units per acre (except for when 10 or less dwellings are proposed).

The Borough of State College has adopted an inclusionary housing ordinance with standards and incentives for most of their zoning districts when six or more units are proposed. The Borough also offers a fee in lieu option for developers.

Ferguson Township requires the inclusion of workforce housing units in the Traditional Town Development District and incentivizes workforce housing in the Terraced Streetscape District. The Township's recently adopted Workforce Housing Ordinance establishes regulations for workforce housing, including legacy (continued affordability) and administration. The Centre County Housing and Land Trust will act as a third-party administrator of the program.