



A bridge linking housing research and practice

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## The Public's View of Affordable Housing

In 1991, the U.S. Department of Housing and Urban Development report, *"Not In My Back Yard": Removing Barriers to Affordable Housing*, focused national attention on a prevalent attitude against affordable housing – a view known as NIMBYism, or "Not In My Backyard." This year, HUD updated that report and concluded that, despite some reforms, "NIMBYism continues to prompt the implementation of regulatory barriers that pose major obstacles to rental housing, high-density development, and other types of affordable housing."

Because public opinion exerts a powerful force in shaping public policy, researchers are currently dissecting the public's views on affordable housing issues. Our efforts to discern the public's underlying concerns and motivations provide valuable information that can help satisfy public concerns and meet the housing needs of moderate- and low-income families.



*Why not in your neighborhood? Affordable housing takes many shapes.*

To that end, The Campaign for Affordable Housing, a national nonprofit group that addresses community opposition to affordable housing, collected and reviewed public opinion research conducted between the late 1990s and 2003 that pertains to affordable housing. The review tells two compelling stories that stand in opposition to one another. One is that basic American values inspire positive attitudes about affordable housing, framed by core beliefs in fairness and equal opportunity. The other consists of fears about the negative effects of affordable housing on people's own security and sense of well-being.

The public recognizes the need for affordable housing, but is less aware of its shortage. When asked to rate the salience of problems in their own community, opinion poll respondents rank the need for affordable homes for low- and moderate-income families second only to healthcare and employment. Recently, when asked about the extent of the affordable housing problem in their own area, only about 40 percent of a national sample perceived it as a big problem. If survey questions are *specific* about who encounters difficulties in finding affordable housing, however, much larger majorities acknowledge it is a problem for low- and moderate-income families, seniors, working-class families, and families with children. Indeed, the impact of insufficient affordable

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housing on children and families causes the greatest concern. Three-fourths of respondents to a recent Fannie Mae Foundation survey were concerned that families must spend so much income on housing that they struggle to meet other expenses and cannot save for retirement or their children's education.

There is broad consensus that the government should see that everyone has access to decent and affordable housing. In 2002, two-thirds of survey participants told the Fannie Mae Foundation that local government should be involved in affordable housing solutions and 59 percent felt that the federal government has a role. In the past two years, large majorities of registered voters have told pollsters they want the government to ensure the availability of affordable housing and a decent standard of living for everyone. This year, 68 percent of those surveyed by the National Association of Realtors® (NAR) agreed that government should "place a higher priority on making housing – both for renters and homeowners – more affordable in my area."

Such attitudes are consistent with basic American values regarding fairness and equal opportunity, and yet resistance appears as affordable housing comes closer to one's own home. This is illustrated by responses to questions posed by an NAR poll conducted in 2004, which found that 76 percent would support more affordable homes for purchase or rent in "my community." But when the location changed to "my neighborhood," "on my street," and "next door," affirmative responses declined to 72 percent, 66 percent, and 63 percent, respectively.

Research has identified some of the things that worry people about affordable housing, depending on what it means to them. An analysis conducted by The Campaign for Affordable Housing found a lack of universal meaning. In one survey, the term is associated with "public housing, architectural and community blight, and low-income to no-income populations." Another group surveyed saw it as synonymous with terms ranging from "average income" and "affordable apartment" to "low income" and "welfare." In yet another survey, 80 percent viewed affordable housing as good for the community, while only 68 percent thought "housing for moderate- and low-income people" was good for the community.

Large majorities of those interviewed by the NAR in May 2005 told us what would satisfy their concerns about affordable housing next door:

"I would be willing to support more affordable homes being made available for people to purchase or rent in my area if they were...

- *built in such a way that they fit with the area and were pleasant to look at.*" (81%)
- *made available and affordable to teachers, firemen, police and other people who we rely on for help.*" (76%)
- "I would support building more affordable homes in and around my community if...
- *I were sure it would not hurt property values.*" (80%)
- *it would help my property tax situation.*" (73%)
- *it made more efficient use of tax dollars for public services like water, sewer, streets, police and fire protection.*" (82%)
- *I were sure that it would not contribute to school overcrowding.*" (75%)
- *I were sure it would not make traffic worse.*" (74%)

Surveys also reveal strong preferences for owner-inhabited affordable housing and for detached single-family housing, rather than townhomes, condos, or apartments.

This is important information for policymakers, developers, builders, local governments, and affordable housing advocates. The Housing Assistance Council devoted a recent issue of its magazine, *Rural Voices* (Spring 2005), to how such feedback is used constructively in crafting an affordable housing marketing strategy. A leading example is the Fannie Mae Foundation's public information campaign, which educates, reframes issues in positive terms, and focuses on universally shared hopes. The campaign educates as to what the research says about the effects of affordable housing on crime or property values. Campaign messages emphasize fairness and equal opportunity, healthy families, neighborly values, flourishing communities, widespread prosperity – positive terms that resonate with people's shared values and hopes. The ultimate message is that by helping families, communities enjoy greater social stability and economic vitality.

In another example, the Minnesota Housing Partnership sponsors a statewide public relations campaign to disperse the cloud of negative perceptions

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The *Housing and Community Development Act (1974)* appropriates Community Development Block Grant (CDBG) funds to develop housing, adequate living environments, and economic opportunities, primarily for low- and moderate-income persons in communities throughout the nation. The Act authorizes annual appropriations that have totaled from \$4.7 to \$5 billion in each of the last six years. Not counting small set-asides, metropolitan cities and urban counties are entitled to 70 percent of the allocation and states receive the other 30 percent for nonentitlement areas. A hallmark of the CDBG program is the flexibility that local jurisdictions have in deciding how grants are used locally to meet national objectives for strengthening communities.

To divide the annual appropriation among jurisdictions, Congress adopted a formula that aims to give larger grants to communities with greater community development needs and smaller grants to localities with relatively low development needs. The statutory formula uses objective measures of community need – poverty, population, housing overcrowding, age of housing, and growth lag – to determine each recipient's share. The first two columns in Table 1 show the existing formula and weighting of variables. Each local jurisdiction's grant is equivalent to the higher of two calculations, Formula A or B, minus a pro rata reduction to keep the sum total of grants within the overall appropriation.

*CDBG Formula Targeting to Community Development Need* is HUD's most recent evaluation of the adequacy of the allocation formula's variables. Over the past 26 years, the formula has become less efficient in accurately targeting community need. Although the neediest communities still receive more than the least needy ones, the number of inequities has grown. This is apparent in two ways: (1) An increasing number of jurisdictions with similar need have gradually come to receive substantially different grants; and (2) The amount of funds that go to

the neediest grantees has declined, while the amount that goes to the least needy community grantees has increased. This 'inequity creep' is generally attributable to demographic change.

HUD offers four alternative formulas in its analysis that can improve equity among, and targeting to, community development needs, although each alternative involves trade-offs. Space permits discussion of only one alternative here. Alternative Formula 1 reduces the weight on population and increases the weights on poverty and overcrowding. The result is an increase in the grants for the needier Formula A grantees that are currently underfunded, relative to their composite needs score. In Formula B, the housing variable is updated, the tightened definition of poverty corrects for overfunding of college towns relative to need, and growth lag is adjusted to correct for overfunding of slower growing communities with relatively high per capita incomes, low poverty rates, and lower needs scores. The last two columns in Table 1 show the revised and reweighted variables of Alternative Formula 1 in comparison to the existing formula.

This alternative improves targeting and is effective in decreasing grants for low-need grantees that

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**Table 1. CDBG Allocation Formula vs. Alternative Formula 1**

Metropolitan Cities & Urban Counties (70%)				
	Current Formula A	Current Formula B	Alternative Formula A	Alternative Formula B
Poverty	50	30		
Overcrowding	25	–	30	
Population	25	–	10	
Population Growth Lag		20	–	10
Pre-1940 Housing		50	–	–
Family & Elderly Poverty			60	40
Housing 50 Yrs.+, Poverty Household				50
States (30%)				
Poverty	50	30		
Overcrowding	25	–	30	
Population	25	–	10	
Population Growth Lag		20	–	10
Pre-1940 Housing		50	–	–
Family & Elderly Poverty			60	40
Housing 50 Yrs.+, Poverty Household				50

## HUD Partners in Initiative to Reduce Energy Costs

Americans are spending more and more to heat, cool, light, and live in their homes—more than \$160 billion a year, according to current estimates. Unless home energy use becomes more efficient, the annual national U.S. home energy bill could rise to \$200 billion by 2015, consuming even more of the nation's natural and financial resources. Yet, by taking advantage of available energy-efficiency strategies, the average American family could save \$150 annually. To encourage households to take advantage of these savings, three federal agencies formed the Partnerships for Home Energy Efficiency initiative in July 2005. One of the initiative's primary goals is to help homeowners make their existing homes more energy efficient and save at least 10 percent on their energy bills over the next decade. "For most owners and renters, utility bills are the second largest household expense," HUD Secretary Alphonso Jackson said in announcing the federal initiative. "That's why housing affordability and energy efficiency go hand in hand. By reducing the price of utility bills, we reduce the cost of living for the nation's low- and moderate-income families."

The new federal initiative—led by the Department of Energy (DOE), the Environmental Protection Agency (EPA), and HUD—provides a wealth of the latest energy-saving solutions for households and home-builders on its Energy Savers website (see below for more information). It also supports nationwide research and implementation efforts aimed at developing a new generation of energy-efficiency technologies. Let's take a look at the initiative, the kinds of projects it supports, and HUD's role in bringing energy efficiency to the fore.

The Partnerships for Home Energy Efficiency initiative builds on existing, cooperative policies and programs with manufacturers, retailers, home contractors and remodelers, utilities, states, financial organizations, and educational institutions to leverage the power and creativity of the marketplace. Unlike other federal initiatives, which have tended to emphasize new construction, this initiative focuses on helping homeowners and property managers save money on existing homes.

The federal initiative has clear objectives. The first is to expand the promotion of products and appliances approved by Energy Star®, a government-backed program that helps businesses and individuals identify



*Energy-efficient appliances can help reduce monthly utility bills.*

energy-efficient products, appliances, and homes. Secondly, the initiative encourages development of durable, comfortable, affordable homes that use 40 to 50 percent less energy. Third, it develops new energy-efficiency services to provide homeowners with greater savings.

DOE's Home Performance with Energy Star® program is an example of one such service that promotes energy savings through its sponsorship of research in cooperation with industry and academia. The research is aimed at advancing building science and improving technologies and practices that improve energy performance in American homes. This program encourages pilot projects and identifies opportunities to enhance energy efficiency in existing homes. It also manages Climate VISION (Voluntary Innovative Sector Initiatives: Opportunities Now), a public-private partnership of DOE, EPA, and the U.S. Departments of Agriculture and Transportation that works to reduce the intensity of greenhouse gas emissions.

Finally, the Partnerships for Home Energy Efficiency initiative furthers investment in innovative research in the building science technologies, practices, and policies. It plans to help develop design technologies and building practices that will lead to cost-effective net-zero-energy homes by 2020. Of particular interest to the Partnerships is helping residents of low-income and subsidized housing benefit from energy-efficiency savings.

HUD's contribution to the Partnerships for Home Energy Efficiency consists of an Energy Action Plan and the Roadmap for Energy Efficiency in Existing Homes. HUD continues to implement the wide-

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ranging Energy Action Plan to reduce the estimated \$4 billion annual utility bill of the nation's affordable housing stock. HUD's action strategies include:

- Extending the Energy Star® approval label to appliances and new federally assisted affordable housing;
- Streamlining energy performance contracting in public housing, an energy-saving tool that enables housing authorities to secure private financing and expertise to pay for and install energy-efficient measures;
- Promoting the adoption of the Energy Star® label in new construction and substantial rehabilitation projects funded through HOME, Community Development Block Grants, HOPE VI, and Section 202/811 housing for seniors and disabled persons;
- Lowering the cost of homeownership by expanding the use of Energy Efficient Mortgages, which allow Federal Housing Administration homebuyers to borrow up to \$8,000 more to pay for energy-efficient home improvements; and
- Providing information, training, and resources on the benefits of energy efficiency and related cost-effective building and rehabilitation techniques.

Consistent with HUD's support of the Partnership for Advancing Technology in Housing (PATH), the Department is committed to four activities in

implementing the Roadmap for Energy Efficiency in Existing Homes. These involve a multiyear project to develop voluntary protocols for energy-efficient remodeling, with significant input from remodelers, energy specialists, consumers, and existing home performance practitioners. In addition, and in tandem with EPA and DOE, HUD supports the creation of an industry-recognized contractor certification and credentialing program for energy efficiency. HUD will also ask for proposals to develop and pilot test a standard for retrofitting package for specific housing types in particular local markets (for more information, see the HUD Small Business Forecast at [www.hud.gov/offices/osdbu/4cast.cfm](http://www.hud.gov/offices/osdbu/4cast.cfm)). Finally, PATH will continue to support both the field testing of energy-efficient home remodeling and cooperative research into energy-efficient technologies for retrofitting existing homes.

The Partnerships for Home Energy Efficiency's website, [www.energysavers.gov](http://www.energysavers.gov), offers a single portal to federal programs and information regarding home energy efficiency. This site includes special pages for homeowners, contractors and builders, building managers, real estate professionals, and state agencies, each with clear introductory information and links to further details. HUD has also issued a Notice describing the benefits of Energy Star in public housing to all housing authorities. The Notice can be found at [www.hud.gov/offices/pih/publications/notices/05/pih2005-25.pdf](http://www.hud.gov/offices/pih/publications/notices/05/pih2005-25.pdf). **HI**

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surrounding affordable housing. The basic messages promoted by the campaign are:

- Those who need affordable housing are important to us and to our community.
- Those living in safe, affordable housing are better able to take responsibility for themselves and to raise their children to become productive citizens.
- Our community will be stronger if it adequately meets the housing needs of its workforce.

These messages appear on billboards, buses, in brochures, radio ads, and local newspapers. Ads feature people likely to need affordable housing, such as a nurse caring for an elderly man under the caption, "If she can't afford a place to live, she can't afford to care for your dad," or the mechanic who "can't keep you running" without affordable housing. The

campaign has helped win zoning approvals, obtain funds for housing, and has made the shortage of affordable housing highly visible.

To find more about public opinion and marketing affordable housing, see "Why Not In Our Community?" *Removing Barriers to Affordable Housing* at [www.huduser.org/Publications/pdf/wnioc.pdf](http://www.huduser.org/Publications/pdf/wnioc.pdf) or request a copy for a small fee from HUD USER at 800.245.2691. Also of interest is the Housing Alliance of Pennsylvania's *Affordable Housing Development: A Fair Housing Toolkit*, which you'll find at [content.knowledgeplex.org/kp2/cache/documents/68549.pdf](http://content.knowledgeplex.org/kp2/cache/documents/68549.pdf); *Rural Voices* (Spring 2005) at [www.ruralhome.org/manager/uploads/VoicesSpring2005.pdf](http://www.ruralhome.org/manager/uploads/VoicesSpring2005.pdf); and the HousingMinnesota website at [www.HousingMinnesota.org](http://www.HousingMinnesota.org). **HI**

## Housing Wealth May be Total Wealth for Low-Income Families

Encouraging low-income families to become homeowners has been an important policy goal of the federal government for many years, primarily because owner-occupied housing can be a viable means of accumulating wealth. Yet there has been little research on the relative importance of housing and nonhousing sources of wealth accumulation. A recent HUD study offers useful data on this important question by considering the impact of homeownership on household wealth accumulation during the period 1984–92 and by examining nonhousing wealth accumulation. The study, which based its analysis on both individual household data and neighborhood characteristics, found that policies to increase homeownership *do* benefit lower income households by helping them improve their household wealth.

The study, *Wealth Accumulation and Homeownership: Evidence for Low-Income Households*, found that the housing choice for families, particularly those with lower incomes, is fraught with complexity. To expose the roots of this complexity, the study examined the rank of housing choice in the hierarchy of sources of family wealth accumulation by undertaking the first research effort to use a dynamic model of housing choice to estimate potential wealth accumulation from owned housing. It also applied a geographically detailed version of a unique panel data set, the Panel Study of Income Dynamics (PSID) at the Survey Research Center of the University of Michigan, in analyzing the relative differences in house price appreciation in high-income and low-income neighborhoods. Because the PSID locates sample households by census tract, it allows researchers to merge data on households with census tract data. Moreover, because the PSID also includes housing and income information for each sample household, families' changing circumstances can be followed over time.

The study combined these detailed geographic and wealth data with dynamic probability modeling to find that owners often go back to renting, and that only about 37 percent of low-income minority families become owners again, compared with 58 percent of high-income white households. This issue is of critical importance, because the accumulation of housing wealth depends on if, and how soon, a family returns to homeownership.



*Becoming homeowners can help low- and moderate-income families increase their household wealth.*

The study found significant differences in the rate of movement to a new house (typically with a higher value), which in turn affects housing wealth accumulation. Only 22 percent of low-income minority households moved to a second home, and 14 percent of them moved to a third owned home. Larger proportions of high-income white families—respectively, 33 and 28 percent—made these same moves.

Expenditures for housing, the basis for housing wealth accumulation (through the subsequent appreciation of property values), also vary greatly across household types, with the median house price ranging from about \$80,000 for high-income white households to \$32,000 for low-income minorities. The study found that the impact of the simple appreciation of property values on housing wealth was relatively similar across the sample it examined. For instance, between the 1990 and 2000 censuses, the appreciation of owner-occupied units suggests similar median appreciation rates, ranging from 4.6 to 4.3 percent.

Overall, the factors examined by the study predict “strikingly different” rates of housing wealth accumulation for families in different income and racial groups. Thus, the average annual housing wealth accumulation stemming from property value appreciation was \$4,460 for high-income white households and \$1,712 for low-income minority families. The study notes that annual housing wealth accumulation compares “very favorably” to families' nonhousing wealth accumulation. Again, however, there is wide variation in the average median level of nonhousing wealth accumulation, from \$2,650 for high-income

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are presently overfunded. For example, under the existing formula, Lifeisgood County is overfunded in relation to its need score. Alternative Formula 1 reduces Lifeisgood County's grant from \$30 per capita to \$5, which is more consistent with the amount appropriated to communities with similar need scores. Alternative Formula 1 also provides small increases to some high-need, but underfunded, communities. For example, Inneed County is a high-need community, but receives smaller than average grants, despite the fact that its average per capita income and poverty rate is significantly below the national average. Inneed County's present allocation of \$26 per capita would be raised to \$32 under Alternative Formula 1.

*CDBG Formula Targeting to Community Development Need* similarly explores three additional alternatives to the present formula and the impact on each individual grantee. HUD concludes that "...serious consideration should be given to changing the formula to improve its targeting to need. Any of the alternatives proposed would accomplish this goal. The Department looks forward to working with Congress, CDBG grantees, and other stakeholders to discuss these alternatives."

The report discusses much more than the current formula and some feasible alternatives, making it a valuable reference tool for those wishing to understand CDBG and to consider proposed changes to the distribution of funds. Readers can follow the development and selection of variables for the Community Development Needs Index and see how the 2000 census data affected the targeting to community development needs. Included is an exploration of the implications of the U.S. Office of Management and Budget's new metropolitan area definitions that could result in additional CDBG-eligible cities and urban counties. Finally, since 1981, states have received 30 percent of the formula allocation for nonentitlement areas, while entitlement areas receive 70 percent. The report offers several options for changing this 70/30 split.

*CDBG Formula Targeting to Community Development* is available as a free download at [www.huduser.org/Publications/pdf/CDBGAssess.pdf](http://www.huduser.org/Publications/pdf/CDBGAssess.pdf), or in print for a nominal charge by calling HUD USER at 800.245.2691. For additional information on CDBG programs, see [www.hud.gov/offices/cpd/communitydevelopment/programs/index.cfm](http://www.hud.gov/offices/cpd/communitydevelopment/programs/index.cfm). **HUD**

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## Housing Wealth May be Total Wealth for Low-Income Families continued from page 3

white households to \$0 for low-income minority households.

In summarizing the findings, researchers observed "a high likelihood that lower income families will 'slip' back to renting after attaining homeownership. For minority households, this probability is quite high." Moreover, lower income households make very limited progress beyond first-time homeownership; in fact, once minority households move to their first owned home, they tend not to move further up the housing hierarchy. And because lower income households have only minor or even negative nonhousing wealth accumulation, their owned homes are the primary means of accumulating wealth. The study concludes that its "results may be broadly interpreted for lower income households as implying that housing wealth is total wealth."

The results of this study thus lend support to public policies seeking to help increase homeownership in general and for low-income households in particular.

Although buying a home does not guarantee wealth accumulation, it usually does appear to have a positive impact on household wealth, especially in comparison to the accumulation of nonhousing wealth. Because low-income and minority households can gain a "major increase" in wealth accumulation by becoming homeowners, it's important to strengthen efforts to increase these households' access to homeownership. Finally, the study implies that policies to help households that achieve homeownership remain homeowners and policies that help families move up to buying homes with higher values will substantially increase their potential to accumulate housing wealth. The study's conclusions about the value of homeownership for wealth accumulation become even more important when considered in the context of the positive social effects of homeownership on children and families.

The complete text of the study is available as a free download at [www.huduser.org/publications/HOMEOWN/WAccuNHomeOwn.html](http://www.huduser.org/publications/HOMEOWN/WAccuNHomeOwn.html) or in print for a nominal cost by calling 800.245.2691. **HUD**

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- A three-story demonstration house is going up in Paterson, New Jersey, that features leading-edge technologies, materials, and best practices currently available to homebuyers. This affordable, energy-efficient, and eco-friendly structure is the result of a joint collaboration by 50 companies and organizations. We'll look at the green and energy-efficient features of this home, its accessibility accommodations, and its implications for the future of urban homebuilding.
- A new HUD study, *Southwest Housing Traditions: Design, Materials, Performance*, looks at traditional Southwestern building designs and materials in light of the contemporary housing needs of low-income residents of U.S.-Mexico border communities. The research identifies those home construction methods and materials that will maximize scarce resources in cost-competitive and energy-efficient ways. We'll review the findings as they relate to bringing affordable and energy-efficient housing to Americans living along our southern border.
- Communities are using web-based services to connect property owners with seekers of decent, affordable housing. Some matching services are developed and managed locally, while other communities subscribe to a private vendor that specializes in tailoring the service to meet local needs. The service is usually free to affordable rental housing shoppers and to property owners. We'll explore how these services are designed and delivered, hear from users, and see how community coalitions make this public service possible.
- Housing trust funds (HTFs) established by cities, counties, and states dedicate sources of public revenue to trust funds as a means of supporting the development of affordable housing. HTFs around the country differ widely in the ways they are structured. We'll look at the variety of revenue sources, administration, and program designs of these trust funds and consider the merit of this approach in addressing the affordable housing crunch.

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