

NAHMAanalysis

NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION

Ensuring NAHMA Members Receive the Latest News and Analysis of Breaking Issues in Affordable Housing

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Affordable Housing in High Opportunity Areas

Background

In a recent white paper titled *Affordable Housing in High Opportunity Areas: An Overview of Demographic and Housing Characteristics*, Freddie Mac provided housing market insights on high opportunity areas. This NAHMAanalysis provides relevant affordable housing takeaways for members to help understand the challenges associated with providing affordable housing in these areas.

Today, “high opportunity” remains undefined at the federal level. However, academic institutions, housing organizations, and social policy leaders have been aligning some common themes that make up the term over the last decade. A few indicators of opportunity have emerged. The report states, “through Freddie Mac’s and The National Housing Trust’s review of all 50 state QAPs and the District of Columbia, we have determined five indicators of opportunity to be the most common: Access to Education, Economic Growth/Jobs, Income Levels, Access to Health Care, and Access to Transportation.” More specifically, the Federal Housing Finance Agency (FHFA) in their Duty to Serve regulation defined high opportunity areas as either: 1. An area designated by the Department of Housing and Urban Development (HUD) as a Difficult Development Area (DDA), whose poverty rate is below 10 percent (for metropolitan DDAs) and below 15 percent (for nonmetropolitan DDAs); or 2. An area designated by a state or local Qualified Allocation Plan (QAP) as a high opportunity area (usually mapped). The report notes that the high opportunity definition is not perfect or final, and will need to be studied in the future.

Characteristics of High Opportunity Areas

The report finds over 56 million people, or approximately 18% of the population, live in communities that are classified as high opportunity areas. High opportunity neighborhoods have three times as many homeowners compared to renters. The report states, “only 12.79 percent of all renters in the United States live in high opportunity areas, suggesting that there is a dearth of affordable rental housing options in high opportunity areas.” The report finds single family homes make up the majority of the housing stock in high opportunity areas, which correlates to these areas having higher incomes and higher rents than the national average. In terms of location, the report finds high opportunity areas are “disproportionately urban and suburban in nature,” with fewer rural high opportunity areas.

Subsidized Housing in High Opportunity Areas

The report finds subsidized housing in high opportunity areas is extremely limited. The most prevalent affordable housing programs in high opportunity areas are LIHTC and Section 8. Below, Exhibit 1A shows a “fairly even distribution of subsidized properties between QAP and DDA designated census tracts, with approximately 41 percent in QAPs only, 51 percent in DDAs only, and 7 percent in both.... Similarly, Exhibit 1B shows the subsidized housing stock in high opportunity areas is particularly limited when compared with the nation’s supply of subsidized housing. Just 7 percent of subsidized properties and 6 percent of subsidized units are in high opportunity areas as compared to 16 percent of the high opportunity population earning 60 percent AMI (area median income).

To provide context for the lack of affordable housing in opportunity areas, the report later finds, “there are a total of 866,174 households who earn 60 percent AMI in high opportunity areas, while there are only 788,666 units affordable to them... Of the 788,666 units, only 301,263 units have some form of subsidy and are subject to long term regulatory agreements – 204,982 being LIHTC and 78,625 being Section 8. The remaining 487,403 units are naturally occurring affordable housing, meaning they do not have any subsidies or regulatory agreements associated with them to maintain their affordability. As a result, these units are at risk of being substantially renovated and converted to much higher market-rate rents, as they are in generally desirable areas that would support increased rents. A long-term solution to ensure supply of affordable housing in high opportunity areas would likely need to include some deliberate efforts to preserve the viability and affordability of this portion of the housing stock, as well.” (See Exhibit 1B)

Exhibit 1A: Subsidized Housing Supply Per High Opportunity Designation

Subsidy	QAP Only		DDA Only		QAP and DDA		Total High Opportunity	
	Properties	Assisted Units	Properties	Assisted Units	Properties	Assisted Units	Properties	Assisted Units
LIHTC	902	60,474	1,438	128,032	184	16,476	2,524	204,982
Section 8**	666	30,357	781	41,214	139	7,054	1,586	78,625
Section 202	58	1,476	67	2,753	15	197	140	4,426
Section 236	0	0	4	824	0	0	4	824
HOME	324	4,826	467	7,733	79	1,263	870	13,822
RH5515	473	13,432	393	13,764	22	842	888	28,038
RH5538	29	1,402	14	803	1	44	44	2,249
Public Housing	56	7,051	102	16,237	16	1,146	174	24,434
State*	119	6,402	74	7,801	21	1,522	214	15,725
Grand Total	2,126	104,863	2,649	172,485	378	23,915	5,153	301,263⁶

Source: Freddie Mac Tabulations of the National Housing Preservation Database; *State subsidy data only includes CT, FL, and MA; **Section 8 refers to both Project Based as well as the Section 8 Housing Choice Voucher Program

Exhibit 1B: Subsidized Housing in High Opportunity Areas Versus Nation

	High Opportunity		Non-High Opportunity		Nation		% High Opportunity	
	Properties	Assisted Units	Properties	Assisted Units	Properties	Assisted Units	Properties	Total Units
LIHTC	2,524	204,982	33,032	2,449,786	35,556	2,654,768	7%	8%
Section 8**	1,586	78,625	19,850	1,290,082	21,436	1,368,707	7%	6%
Section 202	140	4,426	1,317	45,661	1,457	50,087	10%	9%
Section 236	4	824	178	34,481	182	35,305	2%	2%
HOME	870	13,822	10,319	208,979	11,189	511,270	8%	9%
RHSS15	888	28,038	12,265	387,668	13,153	415,706	7%	7%
RHSS38	44	2,249	670	33,556	714	35,805	6%	6%
Public Housing	174	24,434	6,263	1,000,621	6,437	1,025,055	3%	2%
State*	214	15,725	1,723	159,495	1,937	175,220	11%	9%
Grand Total	5,153	301,263	68,903	4,657,904	74,056	4,959,167	7%	6%

Source: Freddie Mac Tabulations of the National Housing Preservation Database; *State subsidy data only includes Connecticut, Florida, and Massachusetts;**Section 8 refers to both Project Based as well as the Section 8 Housing Choice Voucher Program

Conclusion

In addition to the lack of affordable housing, the report finds that developing and preserving affordable housing in high opportunity areas faces many challenges, including: high development cost, high land acquisition costs, zoning issues, local preference for affordable housing, lack of buildable land, and limited housing subsidy. NAHMA continues to advocate for more federal investment for affordable housing and community development programs. This report again highlights on the importance of our ongoing advocacy efforts.