

# Affordable Housing

Toolkit for Counties

# Introduction

Counties of all sizes and in all regions of the country are struggling with housing affordability. In 2016, over one-third of all American households (34 percent) were burdened by housing costs, in that they spent more than 30 percent of their income on housing.<sup>1</sup> This challenge is most pronounced in large counties, where 34 percent of homeowners with mortgages and 53 percent of renters were burdened by housing costs in 2016.<sup>2</sup> That said, medium-sized and small counties are also struggling with housing cost burdens: half of renters in medium-sized counties, 46 percent of renters in small counties and 28 percent of homeowners with mortgages in both categories had housing costs that exceeded 30 percent of their household income.<sup>3</sup>

Although housing affordability affects counties of all sizes in every region of the U.S.,<sup>4</sup> each county is unique, facing its own set of obstacles and equipped with its own set of tools to navigate these obstacles. This toolkit, therefore, outlines the role of counties in addressing housing affordability, the extent of the problem and a variety of county-level solutions in four major categories: (1) inter-jurisdictional partnerships; (2) funding and financing solutions; (3) planning and zoning strategies; and (4) federal resources. Finally, the toolkit includes an appendix, which discusses common housing metrics, reviewing their characteristics and limitations. This toolkit summarizes and builds on research conducted by the NACo Counties Futures Lab throughout 2018.

## Affordability Measures

Residents that spend more than **30%** of their household income on housing costs alone are cost-burdened.



Residents that spend more than **45%** of their household income on housing and transportation costs combined are cost-burdened.



The U.S. Department of Housing and Urban Development (HUD) categorizes households relative to the area median income (AMI) to determine whether they qualify for housing programs:

<b>Extremely Low Income</b> <b>&lt; 30% of AMI</b>	<b>Very Low Income</b> <b>&lt; 50% of AMI</b>	<b>Low Income</b> <b>&lt; 80% of AMI</b>	<b>Moderate Income</b> <b>80% to 120% of AMI</b>
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Note: For more information on measuring housing affordability, see the Appendix on page 15.

# The County Role in Housing Affordability

Constituents in communities nationwide are calling on county elected officials to reduce the burdens of housing costs that force residents to relocate to more affordable neighborhoods. Although housing affordability is a shared priority across the country, available options to promote affordability vary widely between counties due to differences in jurisdiction and authority under state constitutions and statutes.

## Funding Sources

State law can sometimes proscribe entities that have budgeting authority within a county; therefore, the funding streams that are available and the process for approving funding varies for counties operating in different states.<sup>5</sup> Counties are controlled by state requirements regarding allowable property taxes, debt limits, bond issuance, special districts and more. For example, the State of Alabama enacted rules on timelines for county budgeting, budget creation and adoption procedures and a requirement that revenues cannot exceed expenditures.<sup>6</sup>

## Zoning and Land Use

Counties deploy a broad range of zoning strategies to increase the housing stock as permitted under state laws.<sup>7</sup> Counties also have varying degrees in authority to acquire, hold and sell public land.<sup>8</sup> State laws outline planning, land use and zoning authority to provide direction to county governments on permissible types of regulations, such as mixed-use zoning, which is not allowed in every state.<sup>9</sup> In Pennsylvania, county governments enjoy broad authority over planning and zoning, for state law gives county officials authority over county and public lands.<sup>10</sup> In New York, however, county officials only have authority over county-owned properties.<sup>11</sup>

## Partnerships and Interlocal Agreements

Since counties do not often have the resources they need to meet the growing demand for affordable housing, many have developed interlocal agreements

with other counties, municipalities, developers and other organizations. State laws also provide guidelines for counties seeking to enter into these types of agreements.<sup>12</sup> For example, contracts made by Nebraska counties are under the Inter-local Cooperation Act, which stipulates that the county board may not enter into another contract if the cost of leased equipment or property exceeds one tenth of the county's total value of taxable property.<sup>13</sup>

## County Operations

Housing affordability is increasingly impacting central county operations. Recruiting and retaining employees is more difficult for counties without affordable housing options, leading many workers to seek employment in more affordable areas.<sup>14</sup> Engaging the community on proposed developments and programs has become increasingly important as jurisdictions weigh competing priorities in resource allocation and land use decisions.<sup>15</sup> Finally, as the issue of housing affordability has come to the fore, access to data to help design and evaluate community-specific programs has become an imperative.

*For more information on how counties are providing affordable housing for their own employees, visit [www.NACo.org/AccessToHousing](http://www.NACo.org/AccessToHousing).*

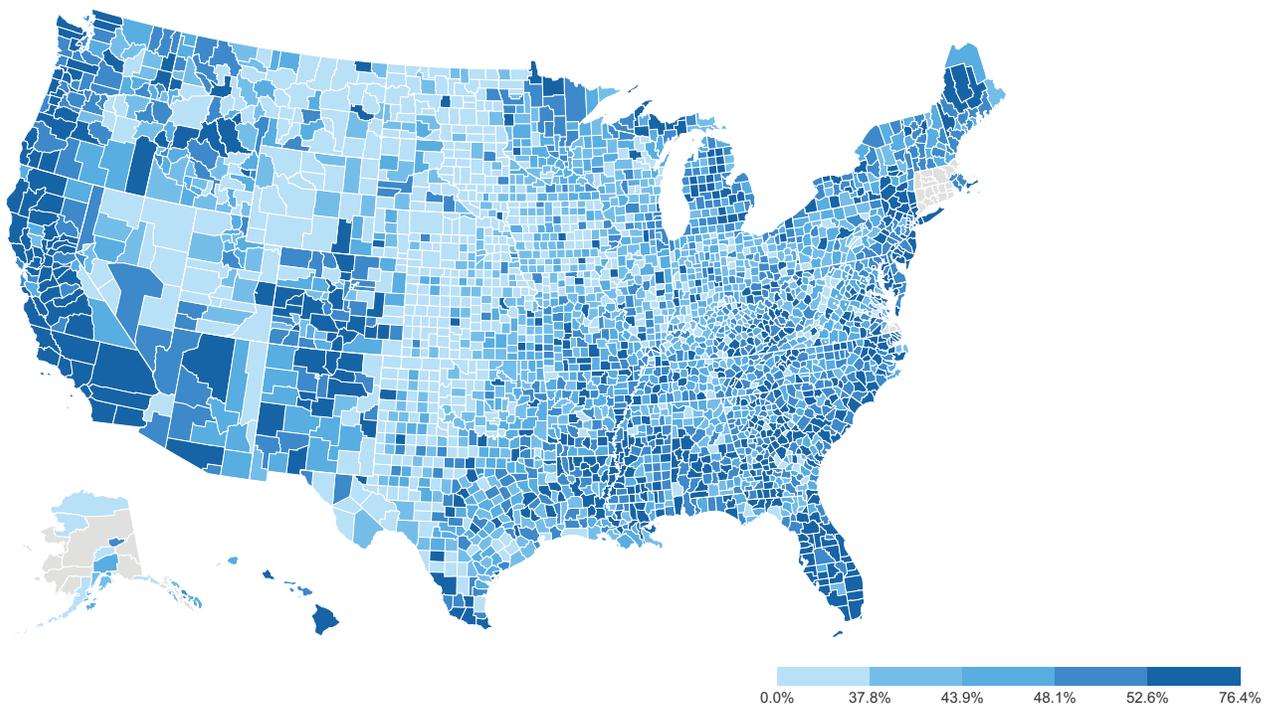
*For more information on how counties can engage the community to promote housing affordability, visit [www.NACo.org/HousingConnections](http://www.NACo.org/HousingConnections).*

# Housing Affordability Across Counties

According to NACo's analysis of data from the American Community Survey, in 2016, the number of cost-burdened homeowners was lower than the number of cost-burdened renters in counties across the nation. In 2016, more than 17 million homeowners and more than 19 million renters were burdened by housing costs. This represents an increase of more than 2 million renter households and a decrease of more than 4 million owner households from 2010.<sup>16</sup>

From 2010 to 2016, the number of cost-burdened renters increased by 13 percent.

## Map 1: Distribution of Housing Cost Burdens for Renters Across Counties



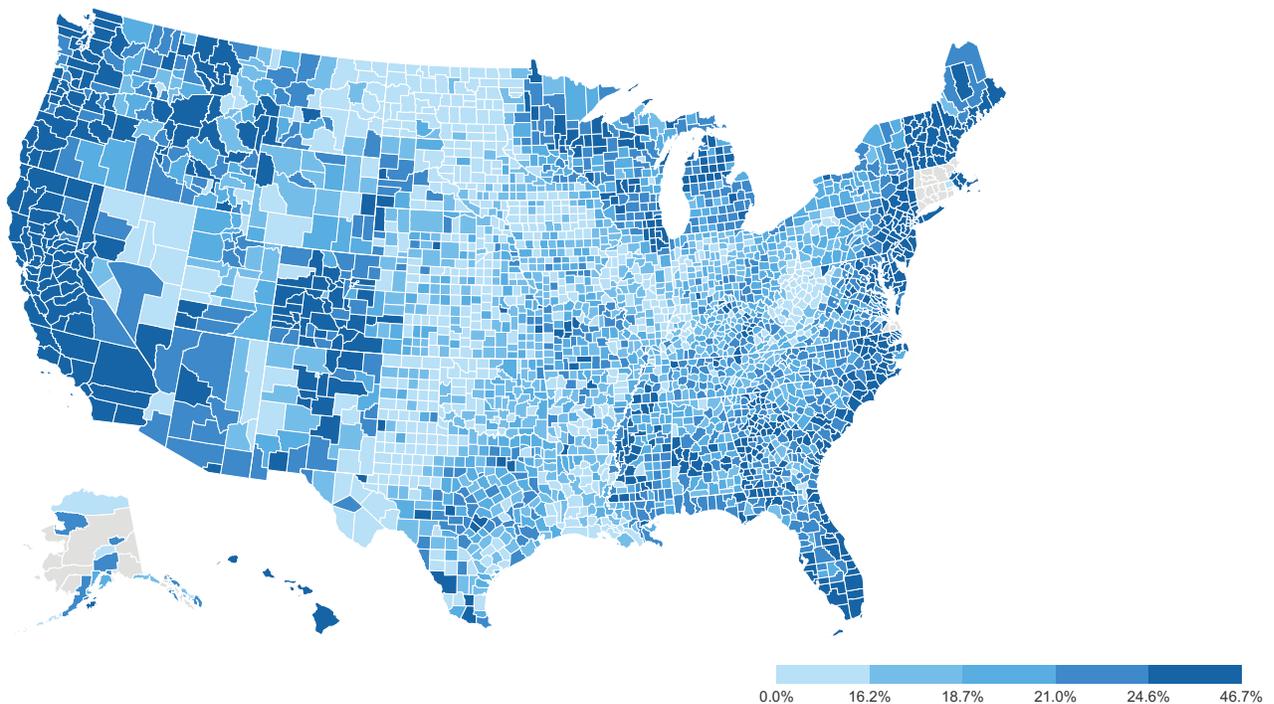
Source: NACo Analysis of U.S. Census Bureau - American Community Survey (ACS) 5 year estimates, 2012-2016 (Tables B25070).

Notes: Housing units where monthly owner costs cannot be computed have been excluded. This includes only counties with county governments. The dark grey areas in Conn., R.I., parts of Alaska, Mass. and Va. are counties or county-equivalents without county governments.

# Key Findings

- There were more than 129 million housing units in counties across the nation in 2016. Eighty-eight (88) percent of these housing units were occupied (whether the units were mortgaged or rented). Homeowners made up 56 percent of households and renters made up 32 percent of households.<sup>17</sup>
- In 2016, more than half of renters—that is, 51 percent of renter households—in counties were cost-burdened. Between 2010 and 2016, the percentage of renters who were cost burdened increased by 13 percent.<sup>18</sup>
- In large counties, about 50 percent of renters were cost-burdened in 2016. That same year, in small counties and medium-sized counties, the share of cost-burdened renters were 45 percent and 46 percent respectively.<sup>19</sup>
- The highest number of cost-burdened homeowners was reported in the South (6.3 million households) followed by the West (4.5 million households). The highest share of cost-burdened renters was reported in the West (53 percent) followed by the Northeast (52 percent).<sup>20</sup>
- Nationally, 10 percent of owner households – i.e., more than 7.4 million homeowners – were severely cost-burdened in 2016, meaning that they were spending more than half of their incomes on housing.<sup>21</sup> The number of severely-burdened homeowners decreased by 18 percent between 2010 and 2016.<sup>22</sup>
- Across all regions, renters were more likely to spend at least half of their incomes on housing than homeowners, as the share of severely-burdened renters in all regions was over 20 percent.<sup>23</sup>

## Map 2: Distribution of Housing Cost Burdens for Homeowners Across Counties



Source: NACo Analysis of U.S. Census Bureau - American Community Survey (ACS) 5 year estimates, 2012-2016 (Tables B25091).

Notes: Housing units where monthly owner costs cannot be computed have been excluded. This includes only counties with county governments. The dark grey areas in Conn., R.I., parts of Alaska, Mass. and Va. are counties or county-equivalents without county governments.

# NACo County Explorer Housing Affordability Profiles

NACo's County Explorer Housing Affordability Profiles are a compilation of selected indicators covering housing affordability challenges, housing cost burden trends, median household income, demographics and more for the 3,069 counties with county governments. Check out NACo's County Explorer tool to find out more and compare your county across several indicators with other counties, your state, similarly sized counties or the median for the 3,069 counties.

For more information on how challenges with housing affordability are spreading across the nation, see NACo County Explorer's Affordable Housing Profiles at [www.NACo.org/CountyExplorer](http://www.NACo.org/CountyExplorer).



# Solutions

## Section I: Inter-Jurisdictional Partnerships

Inter-jurisdictional affordable housing programs are managed jointly between counties, cities and other governments. These programs, governed by inter-local or regional agreements, allow multiple organizations to more effectively tackle issues that expand beyond jurisdictional boundaries and authority.<sup>24</sup> Since affordable housing is often a regional issue, inter-jurisdictional programs can have a more focused and strategic approach to by enhancing coordination, sharing information and generating additional funding resources. Over the past decade, more county governments have begun recognizing these benefits and working with other jurisdictions to create affordable housing.

### Developing Inter-Jurisdictional Agreements

To maximize the potential of an inter-jurisdictional agreement, county leaders can conduct research to identify partnerships, funding sources and governance structures for new programs.

- **COUNTY EXAMPLE:** Snohomish County (Wash.) conducted a feasibility study of inter-jurisdictional affordable housing programs in 2009.<sup>25</sup> The study outlined the proper conditions for creating an inter-jurisdictional program, including a critical mass of jurisdictions that agree to the partnership, sufficient funding, identification of a host agency to administer the program and an agreement on how the program would be governed. In 2013, an inter-local agreement established the county's Alliance for Housing Affordability with the support of the county, 12 cities and the Housing Authority of Snohomish County.<sup>26</sup>

### Partnering at Different Levels of Governance

Since the challenges of housing affordability are by no means confined to a particular municipality or county, county leaders can form partnerships and leverage the authorities of different levels of government to increase housing affordability.

- **COUNTY EXAMPLE:** King County (Wash.) is a part of multiple alliances to create more affordable housing options for residents.<sup>27</sup> The Puget Sound Regional Council is a regional planning body with representatives from over 75 jurisdictions. The regional plan developed by the Council is used by another organization established by inter-local agreement between 39 governments, the Growth Management Planning Council, to develop county-wide planning policies. In 2017, the county spearheaded the creation of the Regional Affordable Housing Task Force, led by six county and six city officials.



## Investing in Partnerships

The potential of inter-local initiatives to promote affordability has led public and private entities to invest in inter-jurisdictional housing programs. Between 2011 and 2015, HUD awarded 143 regional planning and community challenge grants through the Sustainable Communities Initiative – a \$250 million investment that promoted regional inter-jurisdictional approaches to addressing affordability challenges.<sup>28</sup>

- **COUNTY EXAMPLES:** Apache County (Ariz.), City and County of Denver Community Planning and Development (Co.), Washtenaw County (Mich.), Bernalillo County (N.M.), Washington County (Ore.), Fremont County (Idaho), Erie County (Pa.), Shelby County (Tenn.), Salt Lake County (Utah) and Chittenden County Regional Planning Commission (Vt.) all received funding to build inter-jurisdictional affordable housing programs from HUD's Sustainable Communities Initiative.

## Public-Private Partnerships

Despite the combined resources of the federal government and localities that participate in inter-jurisdictional housing programs, there still remain extensive gaps in funding. Partnerships that leverage private market investments have the potential to help close this gap.<sup>29</sup>

- **COUNTY EXAMPLE:** The Preservation Compact, a Rental Housing Strategy for Cook County (Ill.), leverages public and private market financing to increase the stock of affordable homes under a supportive regulatory environment created by a Regional Housing Initiative.<sup>30</sup>

“[Our residents] have made it clear that affordable housing is a top priority, which creates the positive environment needed to compile public and private resources.”

– The Hon. Colby Sledge, Metro Council Member,  
Nashville-Davidson County, Tenn.



*Ryman Lofts is Nashville-Davidson County's first affordable housing development with a preference for people pursuing a career in the arts.*

## Section II: Funding and Financing

Decreasing federal and state funding to counties for housing and community development have impelled many counties to look for innovative local funding solutions. Depending on state statute, counties have a variety of local funding sources they can use to leverage resources for affordable housing.

### Housing Trust Funds

There are currently over 135 county housing trust funds across 16 states, which collected over \$100 million in FY2015 and, on average, returned \$8.50 for every dollar invested in them.<sup>31</sup> The primary revenue source for the majority of county housing trust funds was a document recording fee, but many also received funding from sales taxes, developer impact fees, real estate transfer taxes, restaurant taxes, property taxes and their county's general fund.<sup>32</sup>

- **COUNTY EXAMPLE:** Nashville–Davidson County's (Tenn.) Barnes Housing Trust Fund
  - » **FUNDING SOURCE:** Fees on short-term rentals; proceeds from any major sale of county property; county general fund; some federal funding, grants and donations.

### Service Sharing

Housing affordability is a regional problem; thus, some counties are working on regional funding solutions to reduce the burden of housing costs for residents.

- **COUNTY EXAMPLE:** Texas Housing Foundation (Bastrop, Blanco, Burnet, Hays, Llano and Williamson counties)
  - » **FUNDING SOURCE:** Public-private partnerships; management of various properties; percentage of developer fees; LIHTC, HOME and private activity bonds for specific projects.

### Other Taxes and Fees

Some counties are using their own local authority over taxes and fees to secure funding toward affordable housing.

- **COMMERCIAL LINKAGE FEES:** Imposed on commercial construction based on the need for additional workforce housing that the construction will generate.
- **DEVELOPER IMPACT FEES:** Based on the assessed impact of new developments on the demand for housing.
- **DEMOLITION FEES:** Charged to those demolishing affordable housing units.
- **FEES ON SHORT-TERM RENTALS / HOTEL-MOTEL TAXES:** For counties with large tourism industries, so visitors to the county help pay for tourists' impact on housing costs for residents.
- **ADDITIONAL SALES AND PROPERTY TAXES**
  - **COUNTY EXAMPLE:** Hennepin County (Minn.) Housing and Redevelopment Authority
    - » **FUNDING SOURCE:** Property tax levy

### Community Land Trust (CLT)

The community owns land through a nonprofit, community development corporation, and residents lease the land from the CLT in exchange for lower costs for homes. Homeowners receive a portion of the increased value of the land when they sell their home.

- **COUNTY EXAMPLE:** Nashville–Davidson County, Tenn.
  - » **FUNDING SOURCE:** Donated county-owned land; Barnes Housing Trust Fund

For more information on funding solutions for affordable housing, visit [www.NACo.org/BuildingHomes](http://www.NACo.org/BuildingHomes).

## Section III: Planning and Zoning

Counties have a wide range of authority over planning, zoning and permitting, depending on state law. Not all county governments are permitted to allocate funding to build affordable units or to provide monetary incentives to developers, but many can use their authority over planning, zoning and permitting to incentivize affordable housing development without contributing much funding of their own.

### Planning for Affordable Housing

Counties typically create comprehensive plans to help guide responses to future population increases and economic development, while preserving their natural and cultural resources. Counties can include a housing element in these plans to evaluate their current housing stock – including its affordability – and predict future housing needs.

- **COUNTY EXAMPLE:** King County (Wash.)
  - » **REGIONAL PLANNING:** Puget Sound Regional Council’s “Vision 2040”
  - » **COUNTY PLANNING:** King County Growth Management Council’s “Countywide Planning Policies”; Regional Affordable Housing Task Force
  - » **UNINCORPORATED AREA PLANNING:** King County Comprehensive Plan
  - » **SUB-COUNTY PLANNING:** A Regional Coalition for Housing (ARCH) for municipalities in the eastern portion of King County
- **COUNTY EXAMPLE:** Grand County’s (Utah) Affordable Housing Plan removed barriers to housing development and began to allow higher-density housing

### Housing Needs Analysis

Counties can evaluate future housing needs alongside the state of their current housing stock, then plan the type of housing residents will need. County leaders can analyze the location, type and cost of future homes and explore possible incentives to encourage developers to meet this future demand.

- **COUNTY EXAMPLE:** Greeley County’s (Neb.) “County-Wide Housing Study with Strategies for Affordable Housing – 2025”
- **COUNTY EXAMPLE:** Buncombe County (N.C.) Comprehensive Plan investigated regional housing and construction trends.

### Affordable Housing Impact Statements

Counties can require affordable housing impact statements in their comprehensive plans, as well as for new developments, policies and programs. These statements can be similar to environmental or economic impact statements.<sup>33</sup>

- **COUNTY EXAMPLE:** Orleans Parish (La.) requires affordable housing impact statements from developers that help provide additional data that is used to better promote affordability in communities across the Parish.



*Public hearing organized by the New Orleans Planning Commission.*

## Community Engagement and Planning

Counties that have robust community engagement infrastructure can better develop plans that will address the needs of residents who are burdened by housing costs.

- **COUNTY EXAMPLE:** Development in Nassau County (N.Y.) is governed by plans that were developed through extensive community engagement efforts that are led by civic associations and smaller townships where residents are empowered to help the county and other governments make better decisions.

## Land Use Regulations for Affordable Housing

Counties can modify their comprehensive plans and land use regulations to make it easier to build and to buy cheaper houses, thus expanding housing affordability for residents.

- **COUNTY EXAMPLE:** Greeley County (Neb.) adjusted subdivision regulations in rural areas to allow one three-acre subdivision every quarter section.

- **COUNTY EXAMPLE:** Buncombe County (N.C.) reduced the lot size needed to build home and reduced setback requirements.

## Accessory Dwelling Units (ADUs)

Counties can reduce requirements for building accessory dwelling units (ADUs). ADUs can often be a less-expensive housing option for residents who cannot afford a single-family home, as well as an easy way for a county to expand its housing stock.

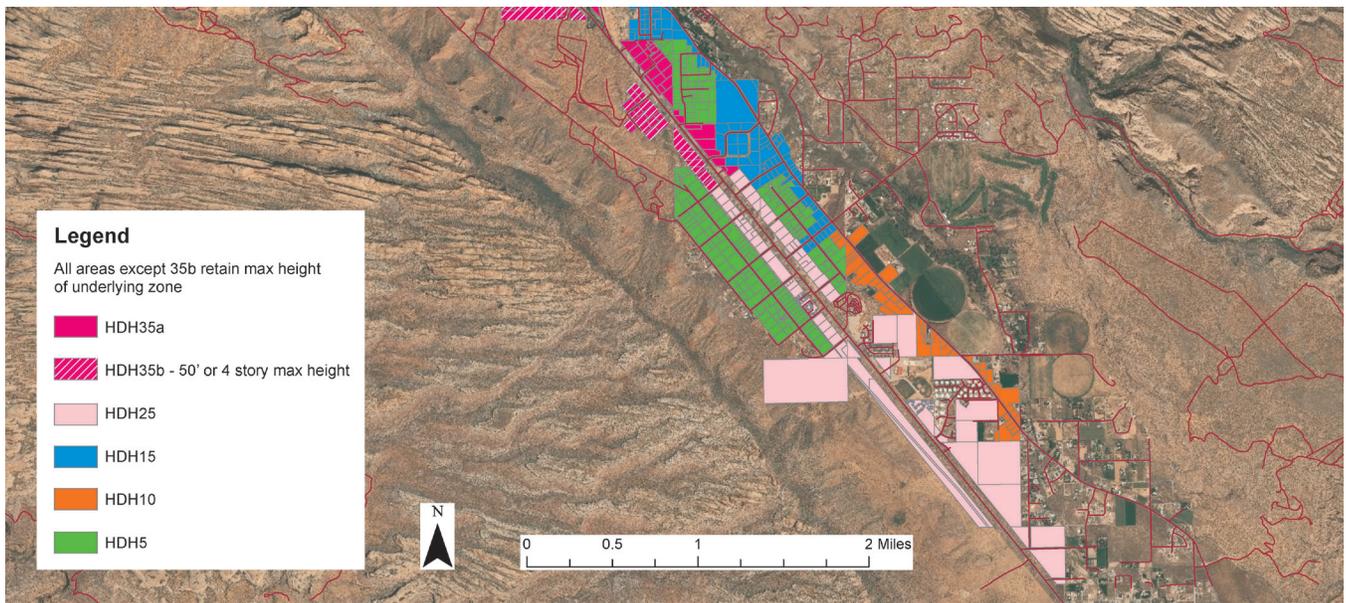
- **COUNTY EXAMPLE:** Grand County (Utah) adjusted its ADU regulations to allow ADUs to be built on smaller lots and removed a requirement that the owner must live in one of the units – allowing both units to be rented.

## Incentives for Developers

Some counties enact inclusionary zoning laws that require developers to build affordable units in certain areas, while other counties provide density bonuses to allow developers to build additional units in exchange for making a portion of these units affordable.



*Affordable housing units in Buncombe County, N.C., built with the help of county funding.*



Grand County, Utah, zoning map of proposed high density housing (HDH) overlay districts for employed, full-time county residents. The legend refers to maximum densities per acre (e.g., HDH25 refers to a maximum of 25 units per acre).

- **COUNTY EXAMPLE:** Buncombe County's (N.C.) Community Oriented Development (COD) program offers density bonuses for affordable housing, alongside other community benefits, such as using alternate energy sources or preserving open spaces.

## Zoning Strategies for Affordable Housing

Counties can encourage the development of less expensive housing options by designating areas for medium-density zoning, where developers can build units in between the densities of single-family homes and apartment complexes, such as townhouses and duplexes. This not only introduces more affordable housing options, but also increases the overall housing stock, thereby decreasing housing prices. Counties can also use form-based code to regulate the outside structure of a home, rather than its internal use. Finally, they can use overlay zones to designate specific areas for affordable housing or higher-density housing.

- **COUNTY EXAMPLE:** Grand County (Utah) implemented "high density housing" overlay districts so that developers can build medium- and high-density housing in areas of the county that have traditionally lacked affordable housing options.

## County Building and Land Use

Counties sometimes have the authority to use county-owned land or existing buildings to expand the stock of affordable housing.

- **COUNTY EXAMPLE:** King County (Wash.)'s regional transit authority makes surplus, locally-owned public land from the region's light rail system expansion available for affordable housing development. The county also has a program to help provide financing for developers wishing to convert existing buildings into affordable homes.

## Permitting and Review Procedures

Some counties offer an expedited review and permitting process for developments that include affordable housing, while others reduce or waive fees for developers building affordable units.

- **COUNTY EXAMPLE:** Buncombe County (N.C.) provides rebates of up to 50 percent of building permit fees for developers constructing affordable units
- **COUNTY EXAMPLE:** Grand County (Utah) streamlined its review process to the bare minimum required under state law

*For more information on county planning, zoning and land use strategies for addressing housing affordability, visit [www.NACo.org/PlanningAhead](http://www.NACo.org/PlanningAhead).*

## Section IV: Advocacy Resources



The National Association of Counties (NACo) advocates for policies at the federal, state and local levels that strengthen county governments. NACo members vet and adopt legislative policy compiled in a document known as “the American County Platform.” Policy Steering Committees, comprised of NACo members, develop and propose policies and resolutions for consideration to be added to the platform. Each year, NACo members vote on and approve each policy steering committee’s recommendations that are added to the platform. The Community, Economic and Workforce Development Policy Steering Committee has jurisdiction on housing issues and is responsible for proposing ideas to NACo members that will promote affordability.<sup>34</sup>

The 2018-2019 platform reflects many housing-related items that are important to NACo members.<sup>35</sup> Members support flexibility in administration and increased funding for the Community Development Block Grant (CDBG) Program that will allow federal, state and local priorities to be met. The platform emphasizes the need for affordable, workforce and entry-level housing, as well as more federal funding to support county efforts to comply with increased administrative requirements, such as the updated Affirmatively Furthering Fair Housing rule. Recommendations outline the roles state and county governments can adopt to better finance affordable housing programs. The platform also urges the federal government to allow stable long-term coordination and funding between federal, state and local governments to better promote affordability. In response to these priorities, NACo developed several resources on federal affordable housing programs.

### NACo Resources

- Affordable Housing Federal Programs and Legislation: [www.NACo.org/articles/affordable-housing-federal-programs-and-legislation](http://www.NACo.org/articles/affordable-housing-federal-programs-and-legislation)
- Policy Brief: Support Local Development and Infrastructure Projects: The Community Development Block Grant (CDBG) Program: [www.NACo.org/resources/support-local-development-and-infrastructure-projects-community-development-block-grant-1](http://www.NACo.org/resources/support-local-development-and-infrastructure-projects-community-development-block-grant-1)
- CDBG for Counties: [www.NACo.org/resources/cdbg-counties](http://www.NACo.org/resources/cdbg-counties)
- Policy Brief: Restore Funding for HUD’s Home Investment Partnerships (HOME) Program: [www.NACo.org/resources/restore-funding-huds-home-investment-partnerships-home-program-3](http://www.NACo.org/resources/restore-funding-huds-home-investment-partnerships-home-program-3)

### Get Involved/Committee Contact



**Daria Daniel**  
**Associate Legislative Director**  
*Community, Economic & Workforce Development*  
(202) 942-4212  
ddaniel@naco.org

# Conclusion

Housing affordability is a challenge that counties across the country are facing now and will continue to face in the future. Since each county is unique, there is no “one-size-fits-all” solution to housing affordability that every county can implement. Rather, county leaders will continue to work with local communities to develop solutions that best fit their situation. County governments should take advantage of the numerous tools available to them by utilizing a combination of inter-jurisdictional partnerships, community engagement, local funding solutions, planning and zoning strategies and federal grants to increase housing affordability.

NACo will continue to evaluate various strategies and solutions to address housing affordability for counties of all sizes. Housing is recognized as a key determinant in achieving positive health outcomes. High housing cost burdens, alongside poor quality of existing stock, exacerbate existing inequalities and disparities, especially in terms of individual health and wealth. By increasing housing affordability for residents, counties are also decreasing health risks and driving wealth creation for residents, especially for those who are most vulnerable.

## Additional Resources

- *NACo County Explorer Affordable Housing Profiles*  
[www.NACo.org/CountyExplorer](http://www.NACo.org/CountyExplorer)
- *Building Homes: County Funding for Affordable Housing*  
[www.NACo.org/BuildingHomes](http://www.NACo.org/BuildingHomes)
- *Access to Housing: Supporting County Workers Through Affordable Homes*  
[www.NACo.org/AccessToHousing](http://www.NACo.org/AccessToHousing)
- *Planning Ahead: Planning, Land Use and Zoning Strategies for Affordable Housing*  
[www.NACo.org/PlanningAhead](http://www.NACo.org/PlanningAhead)
- *Housing Connections: Promoting Affordability Through Community Engagement*  
[www.NACo.org/HousingConnections](http://www.NACo.org/HousingConnections)
- *County News Hot Topics: Opening the Door to Affordable Housing*  
[www.NACo.org/featured-resources/county-news-hot-topics-opening-door-affordable-housing](http://www.NACo.org/featured-resources/county-news-hot-topics-opening-door-affordable-housing)



*Attendees of NACo's 2018 Affordable Housing Forum discuss potential solutions to help alleviate housing cost burdens for residents*

# Appendix: Measuring Housing Affordability

## Affordability Metrics

The standard method for measuring housing affordability is the housing cost-to-income ratio approach, also known as the “30 percent of income rule.” This approach assesses housing costs as a percentage of household income, designating households that spend more than 30 percent of their income on housing costs alone as cost burdened. The underlying notion of this approach is that a household’s income must cover all necessities, and that cost-burdened households must make tradeoffs between housing and other necessities. As a result of spending more on housing, these households may not have enough left to meet their other needs.

Although the housing cost-to-income ratio approach has been widely adopted in academic and public policy circles, some researchers have criticized the use and validity of this traditional measure in the current housing market, namely because of variations in non-housing costs across different income levels. According to the Harvard University Joint Center for Housing Studies, the costs of necessities generally do not rise with income, so high-income households can devote a larger share of their income to housing and still meet their other needs than can low-income households.<sup>36</sup> For example, a household that earns \$650,000 annually may be able to spend 50 percent of their income or more on housing and still have enough for other necessities, while a household that earns \$30,000 annually may not have that same luxury.

Another criticism of the housing cost-to-income ratio approach is that it does not take into account that different households earning similar annual incomes may have different needs. For example, households with children spend more on clothing, food, and medical bills in comparison to households with single adults.<sup>37</sup> Thus, a household with children that spends more than 30 percent of its income on housing might be cost burdened, whereas a single adult who earns the same salary and spends the same percentage of

income on housing might not be. Furthermore, the housing cost-to-income ratio approach does not consider cost-of-living differences between areas and regions of the country. For instance, a family in Los Angeles County (Calif.) that earns \$30,000 annually and spends 40 percent of its income on rent may not have enough left to cover all other basic needs such as food, health care and transportation, while that income level may be sufficient for a family in a county with a lower cost of living.

Because of the limitations of the standard housing affordability metric, some researchers have proposed alternative methods for measuring affordability, such as:

- 1.) Measuring the maximum income that a household needs to meet non-housing necessities after paying for housing (known as “the residual income approach”)
- 2.) Computing the share of housing that is affordable to certain groups of households by analyzing funds available for down payments, initial monthly housing-related payments and future projections of household income and costs
- 3.) Taking various household incomes and preferences, such as neighborhood quality, into account alongside the traditional measure
- 4.) Including other expenditures that take up a large share of household income—such as transportation—alongside the standard approach for measuring the affordability.

*Other current affordability metrics:*

- The National Association of Realtors (NAR) affordability index measures whether a median-income family could qualify for a mortgage loan on a typical home. The components of this measure include median prices for existing single-family home sales and the principal and interest related to mortgage.

- The National Association of Home Builders' (NAHB) Housing Opportunity Index looks at income and housing costs to measure the share of homes sold in an area that would have been affordable to a family earning the area median income. This measure includes property taxes and insurance costs in addition to the principal and interest payment.
- The Center for Neighborhood Technology (CNT) Housing + Transportation Index (H+T) measures housing affordability for regional typical households by considering transportation costs associated with local neighborhoods.<sup>38</sup> CNT developed a new benchmark of 45 percent of income which combines the 30 percent standard and a 15 percent transportation affordability threshold. CNT posited this new standard because transportation costs are the second largest expenditure for households.
- The HUD Location Affordability Index (LAI) combines housing and transportation costs to measure affordability for various income groups.

### **Availability of County-Level Housing Affordability Data**

Researchers can obtain data on housing affordability from various sources. The HUD Office of Policy Development and Research lists numerous datasets

that can facilitate housing affordability research. HUD provides a Housing Affordability Data System (HADS) of housing-unit level datasets which measure the affordability of housing units and the housing cost burdens of households relative to AMIs, poverty levels and Fair Market Rents. HADS contains data from the American Housing Survey (AHS) – a survey conducted by the U.S. Census Bureau every two years which contains a wide range of housing information, such as housing inventory, vacancies, physical condition of housing units, characteristics of occupants, neighborhood quality and other variables that impact affordability.

Among other sources, the number and share of cost-burdened households can also be computed using data from the U.S. Census Bureau's American Community Survey (ACS) or the University of Michigan's Panel Study of Income Dynamics—a nationally representative study of the source of U.S. families' income. ACS contains detailed data about housing and other socioeconomic information for a variety of geographical areas, ranging from nationwide to census block groups. ACS samples nearly three million households annually and provides one-year estimates for geographies with a population of 65,000 or more, three-year estimates for geographies with a population of 20,000 or more and five-year estimates for all geographies.



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## About NACo

The National Association of Counties (NACo) unites America's 3,069 county governments. Founded in 1935, NACo brings county officials together to advocate with a collective voice on national policy, exchange ideas and build new leadership skills, pursue transformational county solutions, enrich the public's understanding of county government and exercise exemplary leadership in public service.

Counties have vast responsibilities when it comes to delivering our infrastructure. This report showcases how housing is a critical portion of the infrastructure portfolio. To learn more, visit [www.NACo.org/CountiesBuild](http://www.NACo.org/CountiesBuild).

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**Jonathan Harris**  
Research Analyst  
[research@naco.org](mailto:research@naco.org)

**Stacy Nakintu**  
Research Associate  
[research@naco.org](mailto:research@naco.org)

**Aaron Ridings**  
Program Manager  
[research@naco.org](mailto:research@naco.org)

## Endnotes

- 1 NACo Analysis of the American Community Survey (ACS) five-year estimates, U.S. Census Bureau. Calculated using only housing units in counties with county governments for which selected monthly owner costs as a percentage of income were available.
- 2 NACo County Explorer data, 2018. NACo categorizes counties according to population size. Large counties have more than 500,000 residents, medium-sized counties have between 50,000 and 500,000 residents and small counties have less than 50,000 residents.
- 3 NACo County Explorer data, 2018.
- 4 See Jonathan Harris and Stacy Nakintu, "Building Homes: County Funding for Affordable Housing," National Association of Counties (May 2018).
- 5 Matthew Sellers, et al., "County Authority: A State by State Report." National Association of Counties (2010).
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- 7 Jonathan Harris, "Planning Ahead: County Planning, Land Use and Zoning Strategies for Affordable Housing," National Association of Counties (September 2018).
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30 *Ibid.*

31 See Jonathan Harris and Stacy Nakintu, "Building Homes: County Funding for Affordable Housing," National Association of Counties (May 2018).

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660 North Capitol St. NW | Suite 400 | Washington, D.C. 20001  
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