

HOUSING AMERICA'S RESIDENTS

The Role of Counties

April 2023

About the National Association of Counties

The National Association of Counties (NACo) strengthens America's counties, serving nearly 40,000 county elected officials and 3.6 million county employees. Founded in 1935, NACo unites county officials to:

- Advocate county priorities in federal policymaking
- Promote exemplary county policies and practices
- Nurture leadership skills and expand knowledge networks
- Optimize county and taxpayer resources and cost savings,
- Enrich the public understanding of county government.

NACo's Mission

Strengthen America's Counties.

NACo's Vision

Healthy, safe and vibrant counties across America.

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THE BASICS OF HOUSING AFFORDABILITY

There are three basic components of housing – supply, costs and quality – that are determinants for housing affordability. Affordable housing is often associated with public sector housing, colloquially referred to as "Section 8 Housing," which are usually large-scale developments financed with mechanisms like the Low-Income Housing Tax Credit (LITEC) and owned or operated by a housing authority or other public entity. However, a broader definition of housing affordability, applicable to every county, can be conceptualized as market rate housing that is widely available, affordable to buy or rent for the modal resident (typically less than 30 percent of gross income) and of objectively fair quality. In most cases, housing affordability is unattainable where there are too few homes to meet demand, costs unreasonably exceed incomes or a home's quality is unsuitable for general habitation.



Housing Affordability Consists Of:

Sufficient Access

Supply – refers to the availability of homes within a particular market or region.

Reasonably Priced

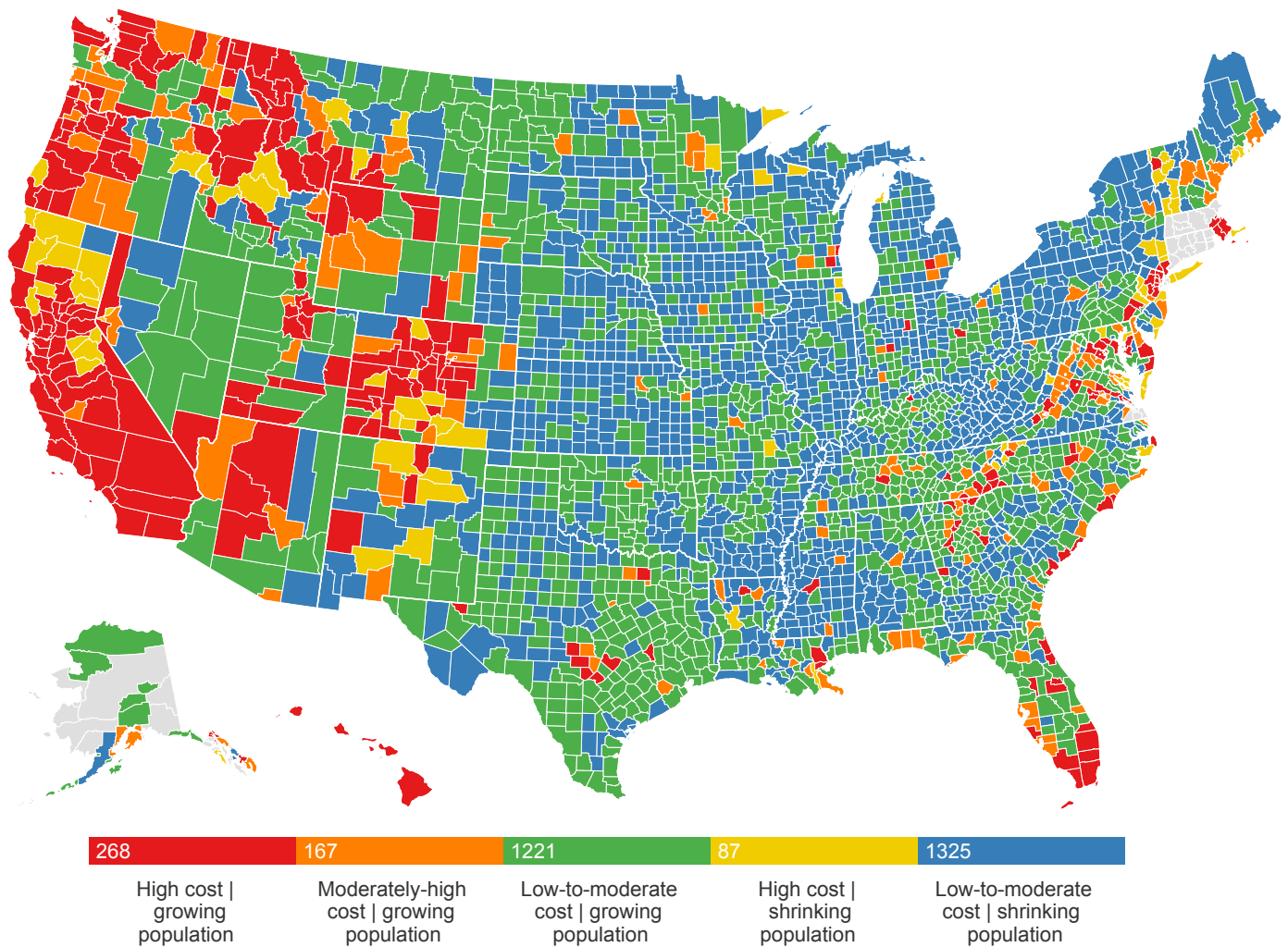
Affordability – refers to the relative price points for rental units and mortgages compared to median county and regional incomes.

Fair Quality Housing

Quality – encompasses challenges such as the age, condition and location of housing stock within a community.

DEMAND FOR HOUSING HAS OUTPACED AVAILABLE SUPPLY IN COUNTIES NATIONWIDE

County housing income to cost ratio compared to population trends from the Housing Solutions Matchmaker Tool analysis.



Source: Analysis conducted under partnership between NACo, Brookings Metro and the Aspen Institute Financial Security Program (Aspen FSP). For more information visit www.NACo.org/MatchmakerTool.

NATIONAL HOUSING CHALLENGES PRESENT OPPORTUNITY FOR COUNTY ACTION

There is a shortage of more than 3.8 million housing units in counties across the country, according to a recent study from Freddie Mac.¹ The lack of homes impacts access to housing differently within communities. In some rural communities, there has been a dramatic uptick in new residents due to expanding telework employment opportunities. Some popular tourism destinations grapple with large second-home and seasonal housing markets, with few options for long-term and middle-income residents. Many urban communities are struggling to increase available housing stock as demand rises, seeking innovative land use approaches to maximize buildable property. In any community facing a shortage of market-rate housing and steady or rising demand, a fundamental economic problem manifests: escalating cost burdens on homeowners and renters alike.

Households in 18 percent of counties spend more than 3.5 times their annual income to afford a typical home based on an analysis of median home prices within counties compared to incomes.² Renters are confronted with similar challenges, with nearly a quarter of households that occupy rental units designated as severely cost-burdened (spending more than half of their annual income on rent).³ Rising housing costs are particularly salient for communities of color, who represent disproportionate shares of cost-burdened renters and homeowners.⁴ Further, increased costs are straining the ability for first-time homeowners to enter the market. Because home ownership is often a primary drive of wealth-building over a lifetime, the increasing costs present long-term challenges for the economic stability and mobility of many county residents, not to mention the spillover affect to health, education and general wellbeing.

In some communities where costs for a home may seem reasonable, the quality of available homes is lacking. The Philadelphia Federal Reserve concluded more than one-third of homes had significant non-cosmetic deficiencies (e.g., structural, plumbing electrical, etc.) in 2017, conveying an estimated price tag of \$127 billion for repairs.⁵ Homes likely to need significant repair are typically older, and located in lower-income neighborhoods. In nearly one-third of counties, at least 20 percent of existing housing stock dates to pre-1940 construction.⁶ Further, homes built in areas prone to natural disasters or without access to amenities (e.g, transit in urban areas, utilities, roads, parks, etc.) can create a different set of burdens on residents.

Despite these challenges, counties continue to work towards solutions because housing is essential to healthy, safe and vibrant communities.

1 Freddie Mac Research Perspectives: Housing Supply: A Growing Deficit, 2021.

2 The National Association of Counties, Housing Solutions Matchmaker Tool, 2022.

3 Ibid.

4 Joint Center for Housing Studies of Harvard University, The State of the Nation's Housing 2022, 2022.

5 Joint Center for Housing Studies of Harvard University, The State of the Nation's Housing 2021, 2021.

6 NACo Analysis of U.S. Census Bureau - American Community Survey (ACS) 5-year estimates, 2020 (Table DP04).

THE COUNTY HOUSING ECOSYSTEM

Housing spans a wide range of touchpoints in many counties. Though authority may vary, each county can play a role in the solution. **There are five key areas in which counties can use policy, administrative, financial or convening levers to foster housing affordability.**



Community engagement, partnerships and education

Much of the work required to increase housing stock depends on engagement with the community. Not only can counties partner with other governments and community organizations to advance housing, but local leaders can also serve as an educational body to inform residents.



Federal County Nexus

Federal funding – often through the U.S. Department of Housing and Urban Development (HUD) – is often used by counties to administer housing programs, build infrastructure that supports new development and provide assistance for low-income residents.



Land use, zoning, infrastructure and community planning

Zoning is important to designating how a parcel of land is used within a community, and a community land use plan seeks to properly map out the land within a county jurisdiction. Further, to build housing requires infrastructure like roads, utilities and broadband, some of which counties build, maintain, regulate or otherwise support.



Financing, lending and county tax policy

Property taxes are the primary driver of most county finances and can play a significant role in the use of land.

Additionally, some counties work with financial institutions or leverage federal programs to provide direct support to individuals or incentives for new developments, homeownership and other housing programs.



Regulation, codes and associated fees

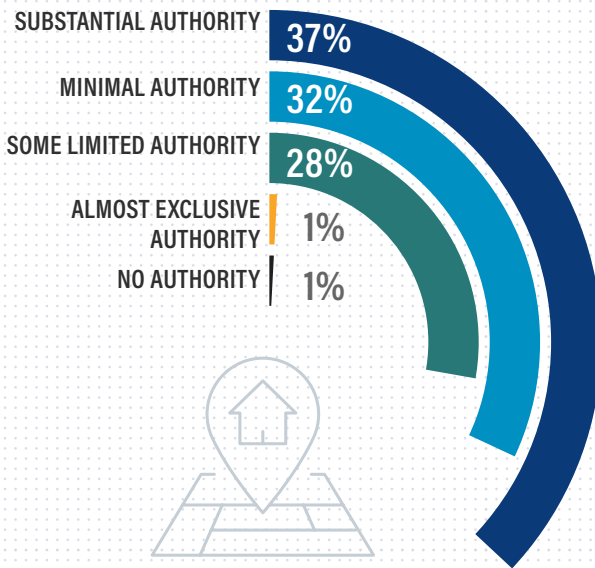
Developing a property for housing requires following a set of codes and regulations to ensure safety. Counties often issue permits and conduct code enforcement, and some developments require studies or carry other special fees associated with construction.

County Housing Touchpoints



THE COUNTY HOUSING POLICY AND ADMINISTRATIVE TOOLKIT

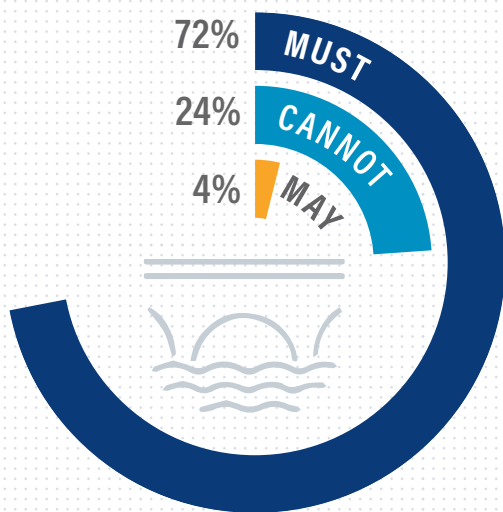
Planning & Zoning Authority



Broadly speaking, nearly every county has some level of authority regarding planning and zoning, and over one-third of counties have substantial authority in this arena. Planning and zoning is the foundation for new development; restrictive zoning across a community land use plan can disincentivize new developments while other zoning policies can catalyze development through density bonuses and other measures. In some counties, planning and zoning authority is limited to unincorporated areas, while other counties have more direct control across the county jurisdiction.

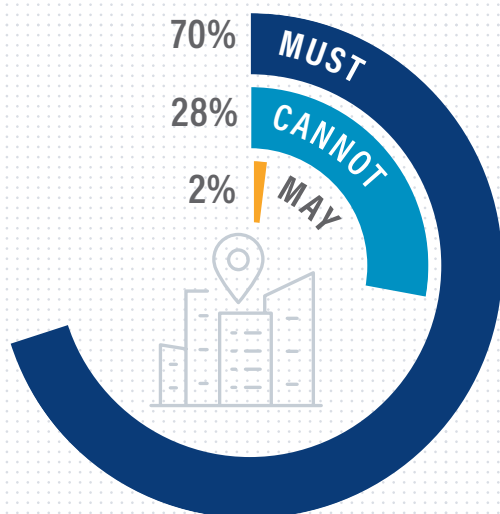
Similarly, roughly two-thirds of counties have some form of authority over permitting and reviews for new developments, which often includes code enforcement and inspection. As another avenue to spur development, some counties have been working to implement new systems that make the permitting process more efficient, and even producing template plans and re-zoning to accommodate Accessory Dwelling Units (ADUs) which serve as an additional unit on an existing development.

Maintain Roads & Bridges



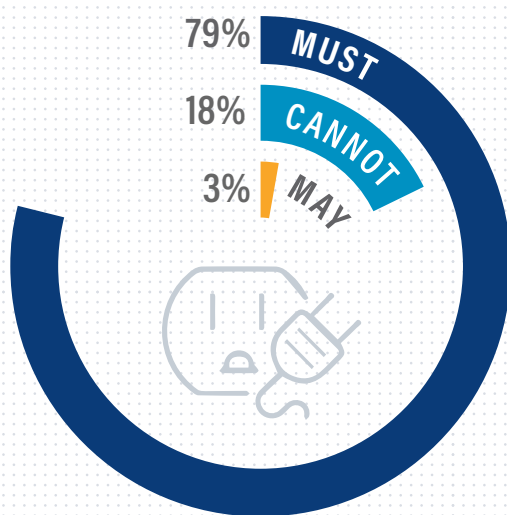
One of the most integral parts of local leaders efforts to advance housing affordability are considerations of infrastructure. Access to public transportation, good-quality roads and, in more urban or suburban areas, pedestrian infrastructure such as sidewalks and bike paths is imperative to new developments and ensuring existing units remain affordable. Nationally, counties own 40 percent of public road miles, and less than a quarter of counties are restricted from maintaining and creating roads and bridges. Not only is “hard infrastructure” important, but “soft infrastructure” like access to county libraries, public parks and recreation sites also impacts housing affordability – and equity.

Oversee a Housing Authority



Another avenue in which many counties directly oversee housing is through Housing Authorities. Seventy-two (72) percent of counties have the authority to erect a housing authority. Housing authorities generally serve a portion of a county, or a multi-county region. The primary purpose of this body in many communities is to administer and provide oversight on county housing programs. This sometimes includes direct ownership of housing properties, administering federal funding like Housing Choice Vouchers, or enacting policies that foster housing affordability. Housing authorities often function similar to other special districts like school districts, with a separate governing board and oversight. Some counties, either via a housing authority, a nonprofit or directly, establish housing trust funds and land banks for the purpose of collecting funding (trust fund) or land (land bank) with the purpose of preserving existing housing units or positioning for new development.

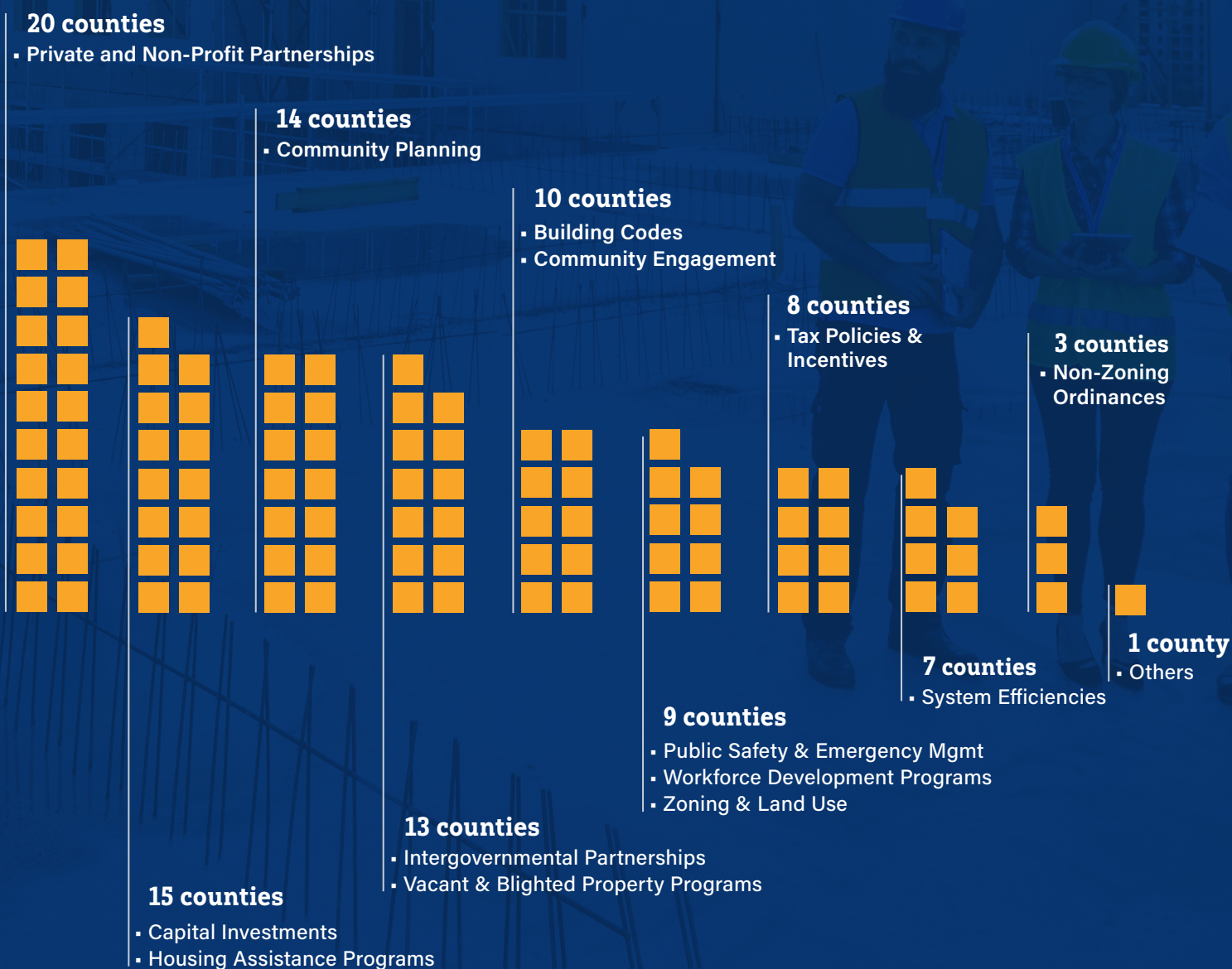
Provision of Utilities



Utility infrastructure is also critical to housing affordability. In particular, new development at minimum must have stable access to sewer, clean water and electricity systems. Though most counties have limited roles in the provision of electric and natural gas services, over 80 percent of counties have the authority for direct oversight in water and sewer systems. Though issues with water rights may persist – particularly in western and public lands counties – counties across the country can use policy, administration and financial levers to expand access and quality of these services. Access to broadband is also becoming increasingly important to housing affordability and is an equity consideration, particularly for rural communities, safe and vibrant communities.

COUNTIES ARE LEVERAGING MULTIPLE TOOLS TO ADDRESS AFFORDABILITY CHALLENGES

Number of NACo Housing Task Force county solutions by topic area.



Source: NACo analysis of housing task force member survey responses; November 2022.

COUNTY LEADERS MEETING THE MOMENT

Elected and appointed county leaders have taken – and continue to take – tangible steps toward local housing affordability. Still, challenges persist, many of which fall outside the purview of local leaders.

Global supply chain and skilled labor shortages restrict the ability to construct new units; demographic and migration patterns put pressure on local markets to meet demand; federal interest rate increases drive up the cost of capital; market competition from institutional investors, private and community interests create tension and hamper growth.

Despite these challenges, counties continue to work towards solutions because housing is essential to healthy, safe and vibrant communities.




While many counties exercise direct authority over service delivery and administration, financial investment, regulation and other public policy solutions, tangible impact requires working across teams. Even as counties encounter challenges outside of the direct authority, local leaders' most powerful tool is the ability to convene partners, facilitate conversation and support others' efforts. From individual community members to private, nonprofit, federal state and other municipal organizations, all elements must come together to work towards solutions – and counties are uniquely positioned to lead in these efforts.

- Housing fulfills a basic human need for shelter, contributing to our overall safety, well-being and generational asset building.
- Access to stable housing is the foundation for better health, consistent education, a stronger workforce, improved financial wellness, and lowered financial wellness, and lowered demand for the social safety net.
- Safe, quality housing reduces stress, toxins and infectious disease, improving physical and mental health.





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