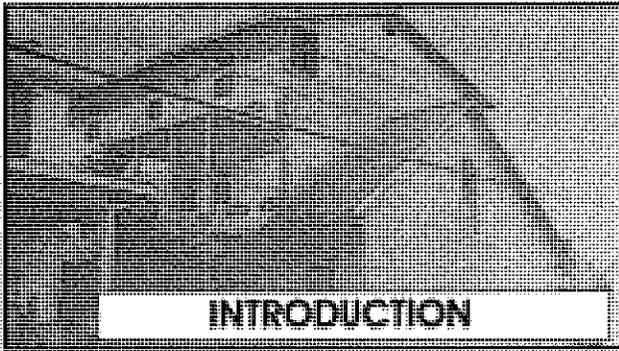


“Houses, Where Jobs Go Home at Night”



by the

**West Virginia Affordable Housing
Partnership**

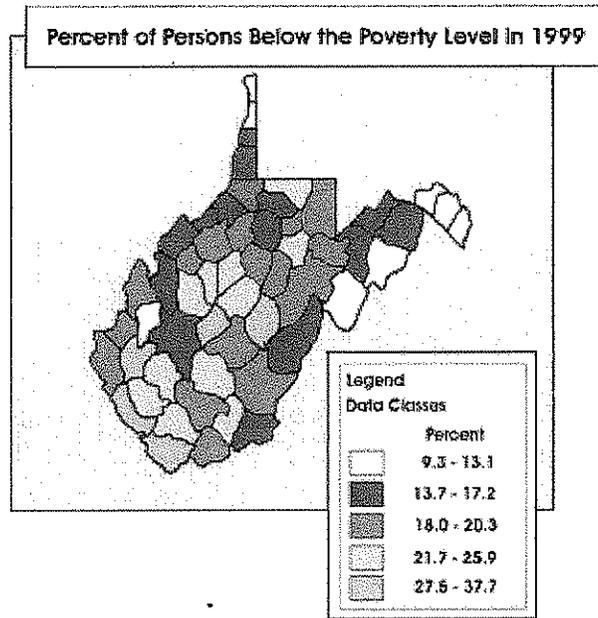


Healthy and economically prosperous West Virginia communities require safe, attractive and affordable housing. The current state of housing must be understood and realistic strategies developed to achieve housing goals. This is necessary so that public and private capital is used wisely while gaps are closed between today's reality and tomorrow's future needs. Meeting the housing needs of all segments of the community is sound public policy.

Providing affordable housing has many benefits. Quality housing supports a productive labor force that can attract a company or business to invest in West Virginia. Employees become more stable, experience longer job retention and are more productive when quality and affordable housing is available in the community. New housing provides new jobs through construction, financing and marketing of housing. Many studies conclude that children who live in secure homes in safe neighborhoods have the stability and reassurance needed to focus on school, friendships and activities that prepare them for a productive adulthood. A well-designed affordable housing plan enables seniors to age in place and to find appropriate living situations they can afford.

Sound housing policy is a policy of investment. Investment in housing creates jobs in the community, and if financed with private and federal dollars, brings in new

capital flows. Investing to keep existing housing viable and attractive helps maintain the tax base that our cities and towns desperately need. Rehabilitation of our existing housing stock stabilizes the core of communities, reduces expansion and sprawl and supports the use and expansion of current transportation, safety and water/sewer infrastructure that is already in place.



Unfortunately, suitable and quality affordable housing is not available for many West Virginians. Many of our communities are old and deteriorating due to the loss of industry and population. Much of the existing housing stock is poor and has decreased in value and utility. In many areas of the state, increases in wages have not kept pace with increases in new home prices. Low-income wage earners that can barely afford to buy or rent adequate housing often suffer from deferred maintenance and poor energy efficiency that perpetuates the housing problem.

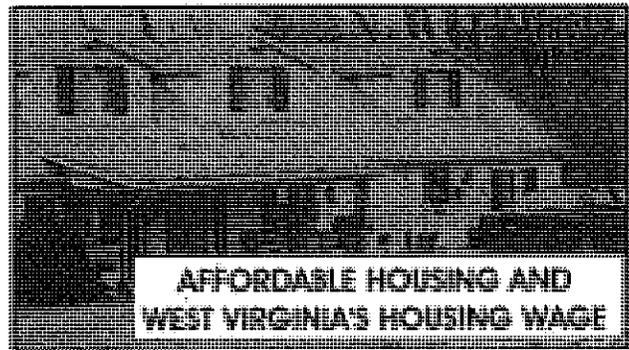
Providing affordable housing in many of the poorest counties in West Virginia is also challenged by our severe topography. In our southern regions, floods and other natural disasters frequently devastate

housing. Replacement housing is generally expensive and difficult to build and has placed an extra financial burden on limited federal housing dollars.

In this document, the West Virginia Affordable Housing Partnership will attempt to address the most pervasive housing issues West Virginia faces.



The issues of deteriorating housing stock, the lack of quality affordable rental housing, the increasing affordability gap for homeownership and the fair allocation of housing dollars can be solved by the creative use of existing housing resources and a progressive state housing policy. The West Virginia Affordable Housing Partnership is dedicated to ensure that funds are dedicated to housing needs and used in service of coherent, deliberate strategies that work collaboratively to meet the needs of its citizens over the coming years.



As defined by HUD and most public housing and mortgage agencies, affordable housing is safe, decent living quarters whose total monthly cost is less than 30% of a family's gross monthly income.¹ This definition is always based on the income of the family thus making affordable housing a relative term. Around 30% of West Virginians who rent, pay more than 35% of their income for housing. West Virginia has one of the lowest median incomes in the nation therefore placing the 30% benchmark for affordability at a very low level. With a median family income of \$39,200, a West Virginia family of four could afford \$980 per month in total housing expense, including utilities. A low-income family at 80% of the median can afford \$780 per month and a very low-income family at 50% of the median income can only afford \$490 per month in housing expense. Conversely, housing costs in West Virginia are on the rise. The median value of a three-bedroom home is \$72,800, thus making a new home almost an impossibility for a low-income family. Households at the lowest income levels face extreme affordability challenges. These are families at 30% of the median income and below. Lowest income families make less than \$12,000 per year and have an affordability limit of only \$300 per month, far less than the average three-bedroom fair market rent of \$500.

The affordability gap is widening. This is especially true in areas that border other

¹ www.hud.gov

states, such as the eastern panhandle and northern West Virginia where West Virginia counties become bedroom communities for larger metro areas such as Northern Virginia and Washington DC. The demand of housing in these areas has increased thus pushing values beyond the reach of many.

LOCATION	HOUSING WAGE						
	Hourly Wage Needed to Afford (@ 40 hrs./wk.)			Percent Change in 2BR Housing Wage (1999-2000)	As % of Minimum Wage (\$5.15/hr.)		
	One Bedroom FMR	Two Bedroom FMR	Three Bedroom FMR		One Bedroom FMR	Two Bedroom FMR	Three Bedroom FMR
West Virginia	\$6.75	\$8.12	\$10.57	1.25%	131%	158%	205%
Berkeley County, WV	\$8.67	\$10.21	\$12.75	5.11%	168%	198%	248%
Charleston, WV	\$7.56	\$9.60	\$13.17	1.84%	147%	186%	256%
Cumberland, MD-WV	\$7.87	\$9.73	\$12.85	1.75%	153%	189%	249%
Huntington-Ashland, WV- KY-OH	\$6.92	\$8.54	\$10.88	1.62%	134%	166%	211%
Jefferson County, WV	\$9.10	\$11.27	\$14.65	5.14%	177%	219%	285%
Parkersburg-Marletta, WV-OH	\$7.13	\$8.15	\$10.58	1.64%	139%	158%	205%
Steubenville-Weirton, OH-WV	\$6.62	\$8.29	\$10.56	2.76%	128%	161%	205%
Wheeling, WV-OH	\$6.71	\$8.29	\$10.56	2.76%	130%	161%	205%

In a benchmark study conducted by the National Low Income Housing Coalition entitled "Out of Reach 2002: America's Growing Wage-Rent Disparity", they examined the housing crisis in America today. The study concluded that "There is no jurisdiction in the United States in which a full-time job at the prevailing minimum wage (either federal or state) provides enough income to allow a household to afford a two-bedroom home at the region's fair market rent."² This is particularly true for West Virginia where low-wage earners, spending more than 30% of their income to meet housing needs do not leave enough income to meet other basic needs, such as food, clothing, health care, transportation, savings and education.

According to the National Low Income Housing Coalition, the Housing Wage in West Virginia is \$8.72. This is the amount a full time (40 hour per week) worker must earn per hour in order to afford a two-bedroom apartment. Between 2001 and 2002 the two-bedroom housing wage increased by 2.59%. A minimum wage earner can afford monthly rent and utilities of no more than \$268 per month, yet the monthly Fair Market Rent (as established by HUD) for a two-bedroom apartment in West Virginia is \$385.

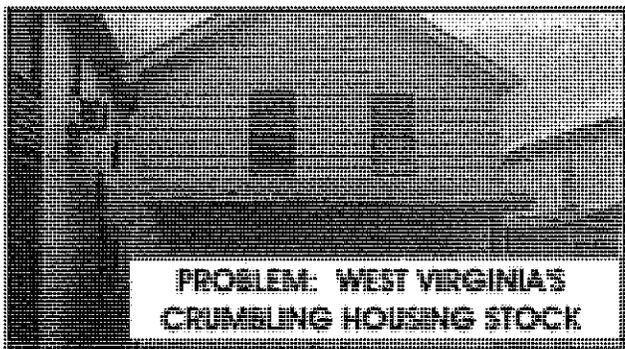
A survey of West Virginia Housing Authorities reveal that over 4000 families are on housing assistance waiting lists. Factor in privately owned subsidized housing and this number grows to over 8000.

² "Out of Reach 2002: Growing Disparity Between Rents and Minimum Wage

An efficiency apartment Fair Market Rent is \$313, still more than the minimum wage

earner can afford.³ Although a minimum wage earner generally qualifies for rental assistance, the number of housing assistance vouchers and or subsidized rental units pale in comparison with the number of eligible West Virginians.

It is estimated that 423,085 West Virginia households may be eligible for some type of rental/housing assistance. A survey of West Virginia Housing Authorities reveal that over 4000 families are on housing assistance waiting lists. Factor in privately owned subsidized housing and this number grows to over 8000.



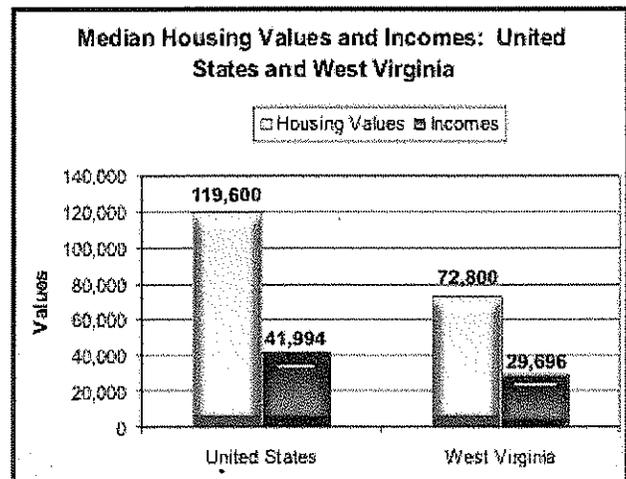
West Virginia is one of the most rural states in the country and faces a significant problem with the deterioration of its housing stock. According to 2000 Census, seventy percent (70%)⁴ of West Virginia's housing stock was built before 1979 and forty-eight (48%) before 1960. Only 8% of the housing stock is under 10 years of age. Most of the newer homes are in areas experiencing population and economic growth, which represents only 5 of the 55 West Virginia counties.

The vast majority of West Virginia homes built before 1978 are likely to contain lead-based paint, a severe toxin to young children, and experience deferred maintenance issues. Hundreds of small old coal mining communities are populated with elderly residents on fixed incomes,

³ Calculated by "Out of Reach 2002"

⁴ US Census 1999

who are not capable of maintaining older, energy inefficient homes.

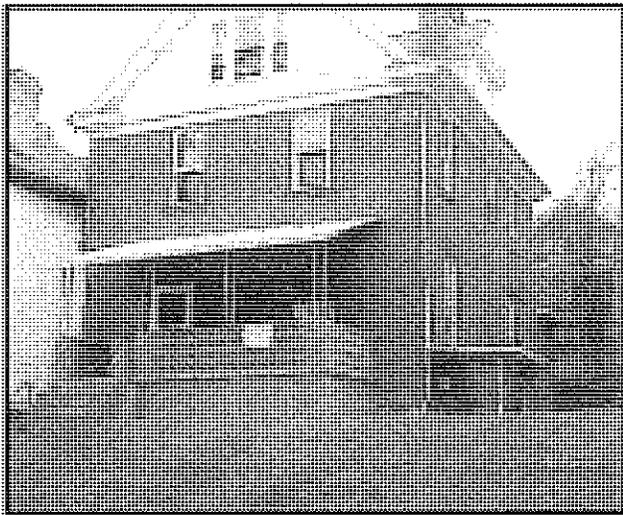


Often the elderly are faced with choices between basic living necessities and home maintenance. Most frequently home maintenance is not affordable and homes and communities deteriorate. Many of West Virginia's inner cities and towns face decay as new housing developments are constructed outside the city on less expensive land. The cost to rehabilitate aging homes often surpasses new construction. The limitation of the use of federal monies on older housing stock with lead-based paint contamination further erodes our communities.

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Housing values not only speak to market conditions but also housing conditions. According to the 2000 Census, over twenty five percent of West Virginia homes are valued at less than \$50,000 and half of all West Virginia houses are less than \$100,000. A high percentage of lower valued homes indicate poorer housing quality and lower demand. In areas where there are

substantial new housing starts such as Putnam, Monongalia, Raleigh, Morgan, Jefferson, and Berkeley Counties, housing values are on the sharp rise. Demand pushes values and older homes become more marketable. These areas still face inner city deterioration but at a much smaller level. In rural counties throughout West Virginia, new housing starts are much smaller due to low demand thus older housing is not replaced or marketable. More rural areas have much higher percentages of the lower income elderly and a more extensive housing problem.

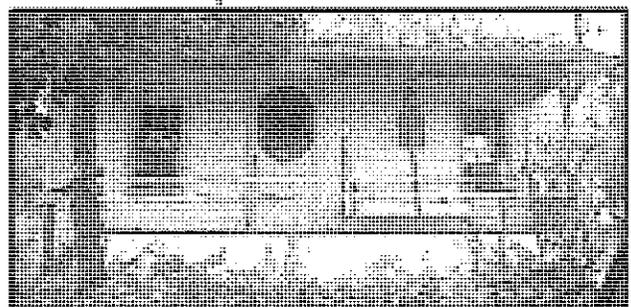


According to the National Coalition for the Homeless low income individuals and families are frequently unable to pay for housing, food, childcare, health care, and education. Difficult choices must be made when limited resources cover only some of these necessities. Often it is housing, which absorbs a high proportion of income that must be dropped. Many homes fall into disrepair, as the people who live in them are less capable of maintaining them. The lack of adopted building codes or code enforcement also contributes the housing deterioration. The communities have not implemented the International Code Council (ICC) building codes as adopted by the state of West Virginia often foster poor housing. These codes

which consist of the BOCA, ICBO and SBCCI building regulations assure that existing housing and new construction are safe and compliant with fire safety and tenant occupancy limits.



While all municipalities, rural and urban, are expected to follow these codes, the reality is many cannot afford to be compliant. This kind of discrepancy between rule making and implementation leaves thousands of innocent families at risk of living in substandard housing that may be over occupied, dilapidated, and generally unsafe. Children and families are likely to live in units with no fire escapes, lead paint, poor electricity, and poor energy efficiency.



SOLUTIONS:

- ◆ **Replace homes currently located in flood-prone areas with homes located on safe ground to protect the families, communities and the public investment. In order to ensure a satisfactory rate of return on the investment, rehabilitation should be of sufficient quality and investment to ensure increases in value, thus enabling the lower income families to build the value of their principle asset.**
- ◆ **Create innovative urban block renovation programs designed to demolish and replace high density deteriorated housing on selected high impact blocks with affordable, lower density housing that will provide ownership opportunities for the lower income residents and revitalize neighborhoods. By choosing high-impact blocks, this policy can spur private investment in the surrounding areas.**
- ◆ **Provide sufficient statewide funding to small communities and counties to adopt and improve residential building code enforcement.**
- ◆ **Develop affordable and effective lead-based paint abatement programs for developers to reduce the cost of rehabilitation and improve the marketability of older housing stock.**
- ◆ **Modify current HOME Program policies that directs funds for substantial rehabilitation in addition to new construction.**



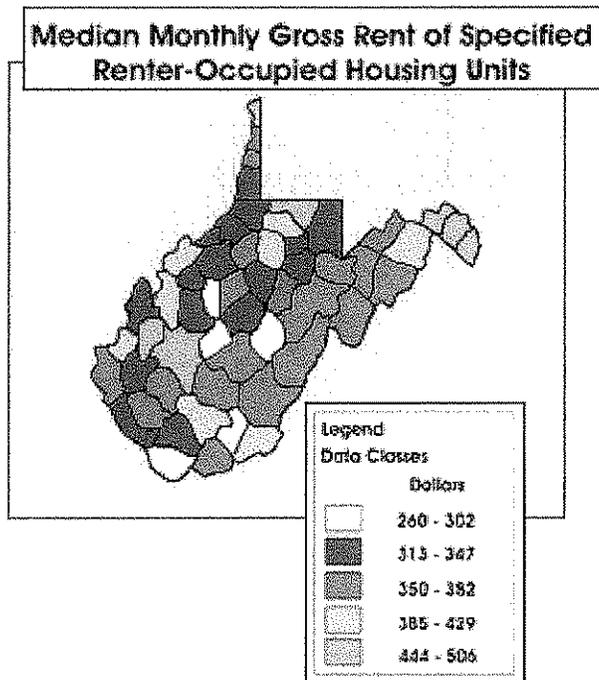
The shortage of quality affordable rental units is an increasing problem for the state of West Virginia. According to 2002 census data, West Virginia has 736,481 occupied housing units. Of those housing units, renter-occupied housing units account for 182,782 or 24.8 percent of all housing stock of which 12% are multi-family units. In West Virginia the quality and affordability of housing is a greater concern than the number of rental units.

Approximately 17% of all rental units occupied by West Virginia families are mobile homes. Although there is no reliable data on the age of rented mobile home units, it is estimated that 15 to 25% of these units are over 25 years old. Experiences through the Housing Choice Voucher Program show that repeatedly leased older mobile homes require extensive repair and maintenance due to initial cheap construction and over time become unsafe to lease.

The condition of the conventional affordable rental units in West Virginia is also suspect. A survey of selected West Virginia Housing Authorities reveal that 85% of all tenant-based Section 8 rental units fail the initial housing quality standard inspection. Forty percent of these rental units require additional improvements on re-inspection, and 10% never meet the minimum housing standards. In the more rural areas of the state, new apartments are infrequently built thus leaving the older, crumbling housing stock for lease. Low-

income families have a limited rental choice and many times are forced to live in substandard housing.

The quality of affordable rental units is also affected by rental property maintenance codes. Local property maintenance code inspections, while having had a positive impact on the rental stock, do not make a significant change due to infrequent inspections. This is primarily due to the lack of necessary funding. Many West Virginia cities conduct code inspections on a twenty-four or thirty-six month scheduled rotation which only keeps poor landlords in compliance for one month and non-compliant for thirty-six.



The shortage of quality affordable rental housing is greatly affected by the current Fair Market Rents structure in West Virginia. Fair Market Rents (FMR), as set by HUD, is the rent benchmark for subsidized state and federal housing programs. West Virginia has among the lowest FMR's in the nation; thus the buying power of housing programs is poor. The average FMR for a three-bedroom apartment in West Virginia is \$535 per month that includes utilities. Generally utilities account for \$160 of the

\$535 therefore leaving only \$375 for rent. At these rents, FMR's are generally not competitive with the market. Low-income families have a difficult time finding adequate rental housing at these rates because property owners are able to obtain significantly higher rents from the existing market. The average three-bedroom apartment in Charleston for instance rents for \$900 to \$1200 per month without utilities, compared to a FMR of \$724 per month. The cost differential between FMR and the current market is comparable for other markets in the state as well. Low-income families can not compete with these costs, which results in them living in poorer quality and less available housing. This is true for all segments of the low-income population including the elderly and disabled. These groups have a compounded problem finding affordable units that is also accessible is extremely difficult. The general housing market is not addressing this issue.

The lack of affordable rental housing can also be traced to the low number of financially assisted rental units being built in West Virginia. Nationally, the Low-Income Housing Tax Credit Program (LIHTC) has been the most successful means of increasing quality and affordable rental housing stock. Over 68,200 units were constructed in 2002 using the tax credit program. Although many states have a five-to-one ratio or greater of applications to funded Low-Income Housing Tax Credit projects, West Virginia has traditionally not used all available credits. In 2002, 462 units of affordable housing were funded through the tax credit program. This number may have been higher. Traditionally West Virginia produces around 625 affordable rental units per year through LIHTC Program. Less than optimum LIHTC Program utilization has reduced the potential number of housing units that could be built and contributed to West Virginia's quality housing shortage. Lower

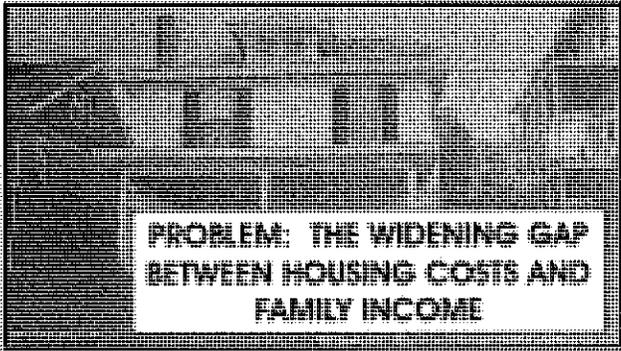
utilization of the LIHTC program may be due to internal processes and unnecessarily restrictive policies within the state LIHTC administrator such as low-development cost limits.

Finally, the shortage of quality affordable housing can be linked with the reduction in funding for federal housing production programs. Funding for programs such as the Supportive Housing for the Elderly, HUD 202, and the Disabled, HUD 811, have decreased production to only a handful of new units per year. There have been no new Public Housing apartments constructed in West Virginia since the mid-1980's and agencies such as Rural Development have experienced decreases in funding to finance new construction almost every year. The HOME Program has been successful in single-family development, however rental and multi-family development has not been a priority until this year. The devastating floods in West Virginia over the past several years has taken millions of state and federal housing dollars that may have been used for new construction and rehabilitation rather than replacement housing.



SOLUTIONS:

- ◆ Seek to locate Low-Income Housing Tax Credit (LIHTC) projects in each major town and city in the state each year. Projects can be multi-family or single-family. By stabilizing the residence status of lower income groups near population centers, employers will find pools of human resources to encourage them to locate or expand businesses.
- ◆ Consider developing a statewide rental code supported by a rental rehabilitation program to encourage landlords to bring substandard or aging rental stock back to current standards of safety and energy efficiency. Local jurisdictions do not have the resources or political will to create forward-looking codes and need state leadership. Resources to enable enforcement are also below necessary levels, and a code with landlord fees to support it could address this need.
- ◆ Create strategies to educate more landlords and property owners about Section 8 Housing Choice Voucher Program.
- ◆ Increase the Fair Market Rents to attract new rental units and to better compete with non-subsidized rental market.
- ◆ Modify state LIHTC policies to increase development cost limits that will increase equity investment and reduce the burden of non-profits to find additional project costs.
- ◆ Educate state and federal lawmakers to support the increase in funding of state and federal housing programs.
- ◆ Pass legislation to Fund the West Virginia Affordable Housing Trust Fund which could provide resources for new housing development.



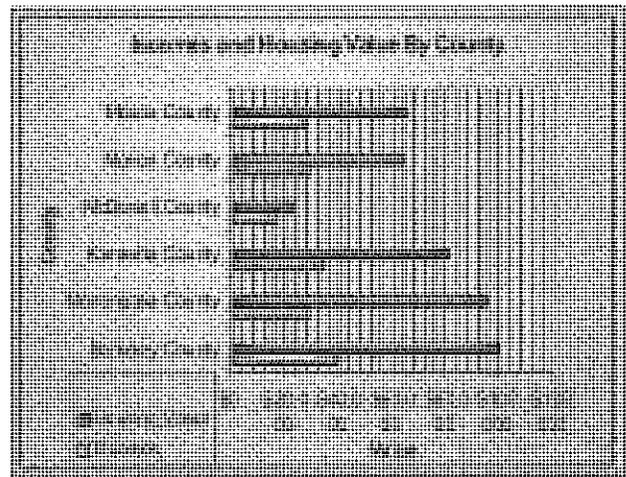
West Virginia is experiencing a widening gap between housing costs and family income. Families are becoming less capable of affording single-family homes than ever before. The lower the family income the fewer quality housing choices a family has available. Median family income is often one of the determining factors of the price of housing families can afford. The median housing value statewide is \$72,800.⁵ Yet, in WV very few counties meet the state median housing value.⁶ Housing values have increased significantly over the past several years as interest rates have dropped. Sellers are increasing asking prices because lower interest rates enable families to afford higher mortgages. This only hurts low-income families whose incomes are less flexible to changes in the real estate market. In areas of the state where there is significant population and economic growth, housing costs have risen far above current census data. According to the Greater Morgantown Comprehensive Housing Study of 2002, the average residential home sold for \$126,000 in 2002. This is up by 25% in the last five years. It is expected that the eastern panhandle counties of Jefferson, Berkeley and Morgan and the Kanawha Valley area have experienced the same market conditions.

Family incomes have not accelerated at the same level as real estate values,

⁵ www.census.gov

⁶ www.census.gov

especially for those of lower-incomes and homeownership is becoming beyond reach. In other areas of the state there is a connection between housing growth and job growth. Therefore, housing values have been able to keep pace with incomes. Parts the state with a closer proximity to Washington DC and Northern Virginia have become bedroom communities where individuals and families from these larger metro area move and establish residency but still maintain employment out of state. New jobs and opportunities are still limited for established residents and the demand for housing by the new higher income families' drive up existing housing cost in these areas. This value inflation in growth-markets is across all types of housing from older inner city houses to suburban subdivisions. This inflationary trend has also spread into the new construction market.



As demand for housing increase so does the cost. It is very difficult to construct a new stick-built home in a community for less than \$80,000 which include lot prices that regularly exceed \$15,000 and over \$25,000 in cities. Often to construct an affordable home on a city lot requires deep subsidies. High housing costs are pushing low-income families further from towns and cities to lower cost areas. Families want to be near jobs, schools, transportation and other amenities that enhance their quality of life.

According to the 2000 Census, the median West Virginia family income is \$43,000. Using the mortgage rule of thumb, income times 2.5 equals maximum affordable mortgage, a family making the median income can afford a home of about \$107,500. However, families at 80% of the state median income who make only \$34,400 and can only afford to purchase a home of up to about \$74,240, which is less than the median housing value. Thus, lower income families must choose the cheaper homes, which tend to be older, laden with lead-based paint, in need of more repairs and that are far less energy efficient.

Homeownership for families at or below 50% of the median income is increasingly more difficult. Without the focus of many programs including the HOME Program and the Section 8 Homeownership Program homeownership for these families is nearly impossible. Deep subsidies and very modest housing is the only choice for thousands of West Virginia families. Subsidy dollars are shrinking with few new initiatives. Fannie Mae, Federal Home Loan Bank, Federation of Appalachian Housing Enterprises and others have begun to combine forces to finance low-income housing programs. More money is necessary to address the gap between income and housing costs.



SOLUTIONS:

- ◆ **Redesign the HOME program to be more responsive to local needs. Program guidelines suitable in one area are often not effective in other places; therefore, this approach would enable local providers to develop programs according to the differing market requirements.**
- ◆ **Create Community Land Trusts that provide the opportunity to reduce land costs. Community land trusts acquire, hold and lease land. Land leases are long term and renewable. Many of these trusts have policies in place that restrict the resale price to maintain long-term affordability. Community land trust models provide homeownership opportunities to people who might be left out of the market.**
- ◆ **Encourage banks, agencies and other financial institutions to create creative financing options for very low-income families.**
- ◆ **Research affordable housing alternatives such as cost effective construction, ownership and financing options.**

SUMMARY

The West Virginia Affordable Housing Partnership seeks to bring the housing needs of lower income West Virginians to the attention of policy makers and legislators so that comprehensive strategies can be developed to close the gaps and appropriate funding can be secured to target the needs.

Seniors need affordable and accessible housing and help to age in place, wherever feasible. Housing stock is aging and in need of renovation and rehabilitation, both in cities and in rural areas. Housing is available, but it is often substandard, not accessible, or too costly to maintain for the lower income families who can afford to purchase it. Thus, a strong rehab/renewal program, both for homeowners and for rental units, is essential to maintaining the vitality of our communities, as well as serving the housing needs of the lower income families.

Affordable rental units of decent quality are needed across the state in urban and rural communities. For many seniors and very low-income families, home ownership is not a viable option. Quality affordable rental projects have an excellent history of market acceptance and more are needed to meet the demand.

Incentive programs such as the LIHTC program must be leveraged to maximum effect to ensure that West Virginia can participate in its full share of federal money. Our legislators can help by continually advocating for need-based redistribution, as the population method does not work to West Virginia's advantage.

Quality affordable rental projects have an excellent history of market acceptance and more are needed to meet the demand.

Derogatory credit and excessive credit use is a serious barrier for many families. The quality providers of this service face funding cutbacks and difficulties in meeting the current demand. Investment in credit counseling and home ownership training must be a high priority.

Development of a cohesive strategy to address the gaps in affordable housing, whether rental or purchase, rural or urban, is critical to making West Virginia strong and attractive to business and residents. Housing and our economic and business development are inextricably linked. Houses are where jobs go home at night.



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