



University of Salahaddin  
Department of Architecture  
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# Affordable Housing status; Lecture6

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BY:  
AUSAMMAGID

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# The Contents of This Class Lecture:

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- **Affordable Housing**
- **Factors influencing affordability**
- **Affordable housing and public policy**
- **Homelessness**



# Affordable Housing Definitions:

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Affordable housing is housing deemed affordable to those with a **median household income** (A household should spend no more than **30%** of its total **income** on housing **costs**, including **mortgage** or **rent payments** & **utilities**).

In Australia, the National Affordable Housing Summit Group developed their definition of affordable housing as housing that is, "...**reasonably adequate in standard and location** for lower or middle income households and does not cost so much that a household is unlikely to be able to meet other **basic needs on a sustainable basis**."

**13.4 million renter households & 14.5 million owner households** have housing affordability problems



# Factors influencing affordability:

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- ▶ Economy(Income level)
- ▶ Density, Demographic Factor (Household size )
- ▶ Geographic variation



# Factors influencing affordability:

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- **Economy(Income level):**

Income is the primary factor that determines housing affordability. In a **market economy** the distribution of income is the key determinant of the quantity and quality of housing obtained. Therefore, understanding **affordable housing challenges** requires understanding **trends and disparities in income and wealth**.

Housing is often the single biggest **expenditure** of low and middle income families. For low and middle income families, their house is also the greatest source of wealth. The most common approach to measure the affordability of housing has been to consider the percentage of income that a household spends on **housing expenditures**. Another method of studying affordability looks at the regular hourly wage of full-time workers who are paid only the minimum wage (as set by their local, regional, or national government). The hope is that full-time workers will be able to afford at least a small apartment in the area where they work. Some countries look at those living in relative poverty, which is usually defined as making less than 60% of the median household income. Lack of affordable housing places a particular burden on **local economies**. As well, individual consumers are faced with mortgage arrears and excessive debt and therefore cut back on consumption. A combination of high housing costs and high debt levels contributes to a reduction in savings. These factors can lead to decreased investment in sectors that are essential to the long-term growth of the economy.



# Factors influencing affordability:

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- **housing expenditures:**

Housing affordability can be measured by the changing relationships between house prices and rents, and between house prices and incomes. There has been an increase among policy makers in affordable housing as the price of housing has increased dramatically creating a crisis in affordable housing.

Since 2000 the "world experienced an unprecedented house price boom in terms of magnitude and duration, but also of synchronization across countries. Never before had house prices risen so fast, for so long, in so many countries. Prices doubled in many countries.

The bursting of the biggest financial bubble in history in 2008 wreaked havoc globally on the housing market. By 2011 home prices in Ireland had plunged by 45% from their peak in 2007. In the United States prices fell by 34% while foreclosures increased exponentially. In Spain and Denmark home prices dropped by 15%. However, in spite of the bust, home prices continue to be overvalued by about 25% or more in Australia, Belgium, Canada, France, New Zealand, Britain, the Netherlands, Spain and Sweden



# Factors influencing affordability:

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- **Housing price:**

Causes and consequences of rise in house prices

Costs are being driven by a number of factors including:

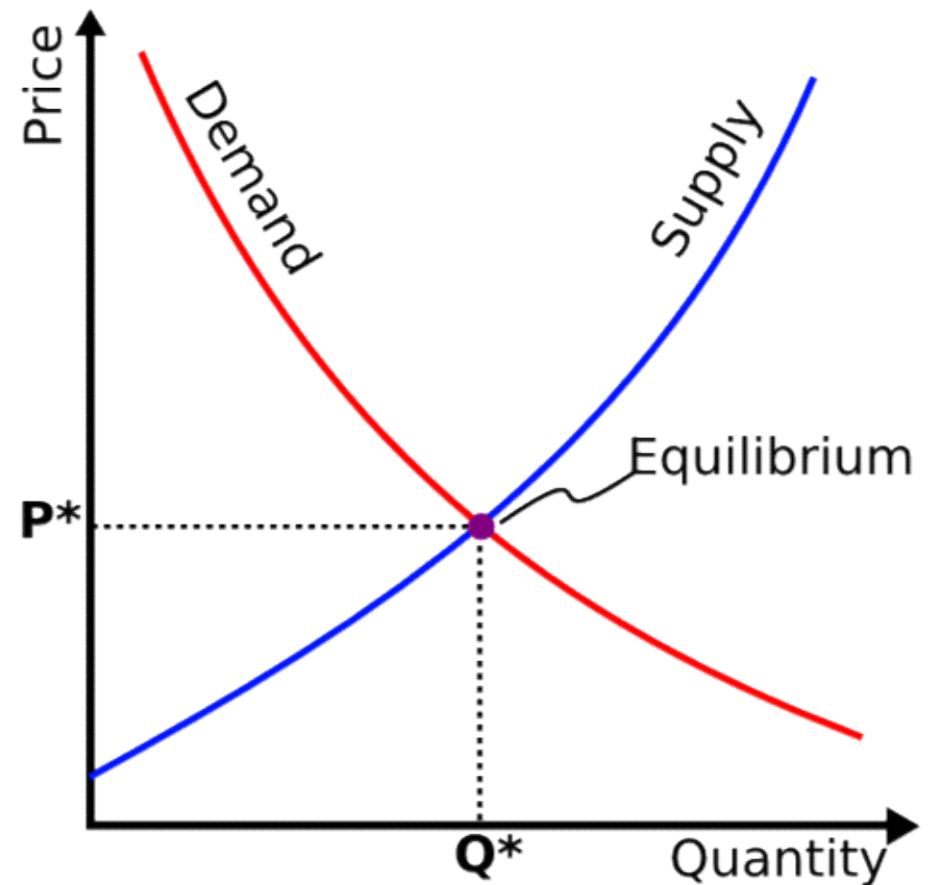
- demographics shifts
- the declining number of people per dwelling
- Growing Density Convergence, Regional Urbanization solid population growth
- **supply and demand**
- a shortfall in the number of dwellings to the number of households
- smaller family size
- shifts in economic policies and innovations in financial instruments
- reduced profitability of other forms of investment
- availability of housing finance
- low interest rates
- mortgage market innovations
- public policy
- land use zoning



# Factors influencing affordability:

- Housing supply and demand**

In some countries, the market has been unable to meet the growing demand to supply housing stock at affordable prices. Although demand for affordable housing, particularly rental housing that is affordable for low and middle income earners, has increased, the supply has not. Potential home buyers are forced to turn to the rental market, which is also under pressure. An inadequate supply of housing stock increases demand on the private and social rented sector, and in worse case scenarios, homelessness.





# Factors influencing affordability:

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- **Housing supply and demand**

Some of the factors that affect the supply and demand of housing stock:

- Demographic and behavioral factors
- Migration (to cities and potential employment)
- Increased life expectancy
- Building codes
- A greater propensity for people to live alone
- Young adults delaying forming their own household (in advanced economies).
- Exclusionary zoning



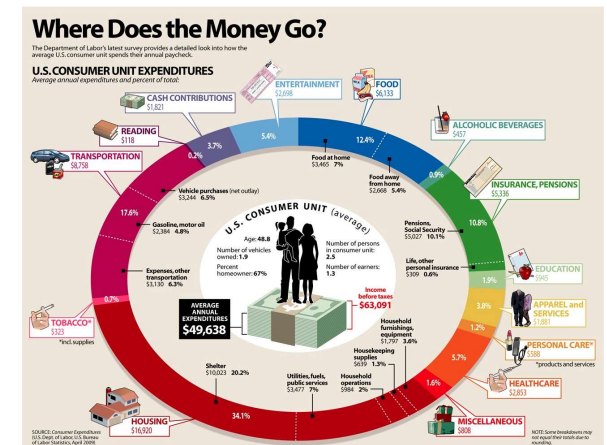
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# Factors influencing affordability:

- **Density and demographic factors:**

The majority of the more than seven billion people on earth now live in cities (UN). There are more than 500 city regions of more than one million inhabitants in the world. Cities become megacities become megalopolitan city regions and even "galaxies" of more than 60 million inhabitants. Rapid population growth and the increasing of household numbers in a family leads to increased need for affordable housing in most cities.

The availability of affordable housing in proximity of mass transit and linked to job distribution, has become severely imbalanced in this period of rapid regional urbanization and growing density convergence.

"In addition to the distress it causes families who cannot find a place to live, lack of affordable housing is considered by many urban planners to have negative effects on a community's overall health."

Affordable housing challenges in inner cities range from the homeless who are forced to live on the street, to the relative deprivation of vital workers like police officers, firefighters, teachers and nurses unable to find affordable accommodation near their place of work. These workers are forced to live in suburbia commuting up to two hours each way to work. Lack of affordable housing can make low-cost labour scarcer (as workers travel longer distances).



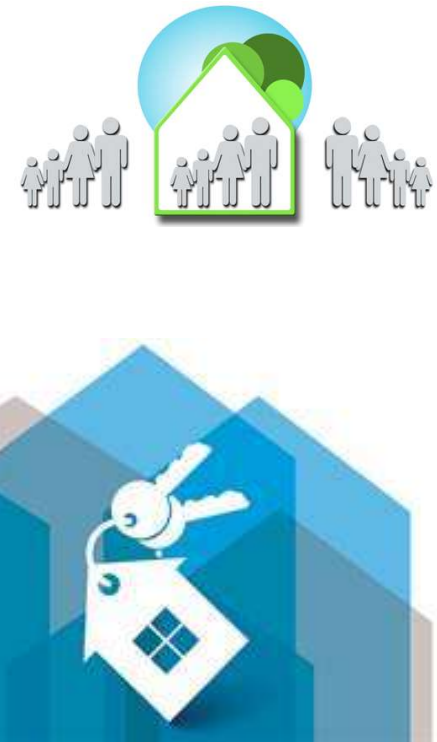
# Affordable housing and public policy:

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Policy makers at all levels – global, national, regional, municipal, community associations – are attempting to respond to the issue of affordable housing, a highly complex crisis of global proportions, with a myriad of policy instruments. These responses range from stop-gap financing tools to long-term intergovernmental infrastructural changes.

In the simplest of terms, affordability of housing refers to the amount of capital one has available in relation to the price of the goods to be obtained. Public policies are informed by underlying assumptions about the nature of housing itself. Is housing a basic need, a right, an entitlement, or a public good? Or is just another household-level consumer choice, a commodity or an investment within the free market system? "Housing Policies provide a remarkable litmus test for the values of politicians at every level of office and of the varied communities that influence them.

Affordable housing needs can be addressed through public policy instruments that focus on the demand side of the market, programs that help households reach financial benchmarks that make housing affordable. This can include approaches that simply promote economic growth in general—in the hope that a stronger economy, higher employment rates, and higher wages will increase the ability of households to acquire housing at market prices. Federal government policies define banking and mortgage lending practices, tax and regulatory measures affecting building materials, professional practices



# Government restrictions on affordable housing:

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Many governments put restrictions on the size or cost of a dwelling that people can live in. Making it essentially illegal to live permanently in a house that is too small, low cost or not meeting to other government defined requirements. Generally these laws are implemented in an attempt to raise the perceived "standard" of housing across the country. This can lead to thousands of houses across a country being left empty for much of the year even when there is a great need for more affordable housing such as is the case in countries like Sweden, Norway, Finland and Denmark where there is a common tradition to have a summer house. This sometimes raises concerns for the respect of rights such as the right to utilize one's property.



# Homelessness

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For some families, a failure to find affordable housing leads to homelessness

**Homeless**—those in shelters or in a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for people (800,000 each night)

**Hidden homeless**—living with relatives or friends (doubled up) in overcrowded conditions or living in substandard housing



# Who are the homeless?

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Families with children (fastest growing segment)

Single adults, often men 30-50; but many women as well

Runaway youths

Suffer from mental illness

Struggle with substance abuse



# Solving the Affordability Problem

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1- Public education efforts—the public must:

- a) support the need for affordable housing and be willing to provide the necessary support
- b) Land use strategies to reduce the cost of housing
- c) higher density & mixed-use development
- d) inclusionary zoning
- e) Community Land Trust (CLT)





# Solving the Affordability Problem

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## 2-Reduction in building & management costs

- a. streamlined building methods & standardized components
- b. factory-built housing
- c. donated labor & materials
- d. resident labor (sweat equity)

## 3-Reduction in finance costs

- a) low-interest loans for constructing or
- b) rehabilitating affordable housing
- c) Low Income Housing Tax Credit



# Solving the Affordability Problem

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## 4: Increase resources for housing

- a) builders to produce affordable housing
- b) home purchase assistance to low- & moderate-income homebuyers
- c) Public Housing & Section 8 vouchers to renters



# Questions & Answers

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