

Fair Share Housing Formulas

by Elizabeth Kowalczyk

The issue of how to most fairly distribute affordable housing within a region is a challenge facing communities across the country.

A number of approaches to this issue have been employed over the past few decades with varying degrees of success. These approaches generally fit into one of four broadly defined categories – formulaic, negotiated, special appeals, and inclusionary zoning. This article focuses on six of the most common formulaic approaches.

Formulaic approaches to equitable spatial distribution of affordable housing, sometimes described as “fair share” measures, can be further broken down into six broad categories – #1) those based on responsibility and capacity to absorb new growth; #2) those that aim to redistribute income levels across a region; #3) those that distribute new affordable housing based on projected household and job growth; #4) those that distribute new affordable housing based on actual household and job growth; #5) those that assume each community within a region should have the same percentage of their overall housing stock be affordable to low income households; and #6) those that rely on consensus building to determine how many new affordable housing units each community within

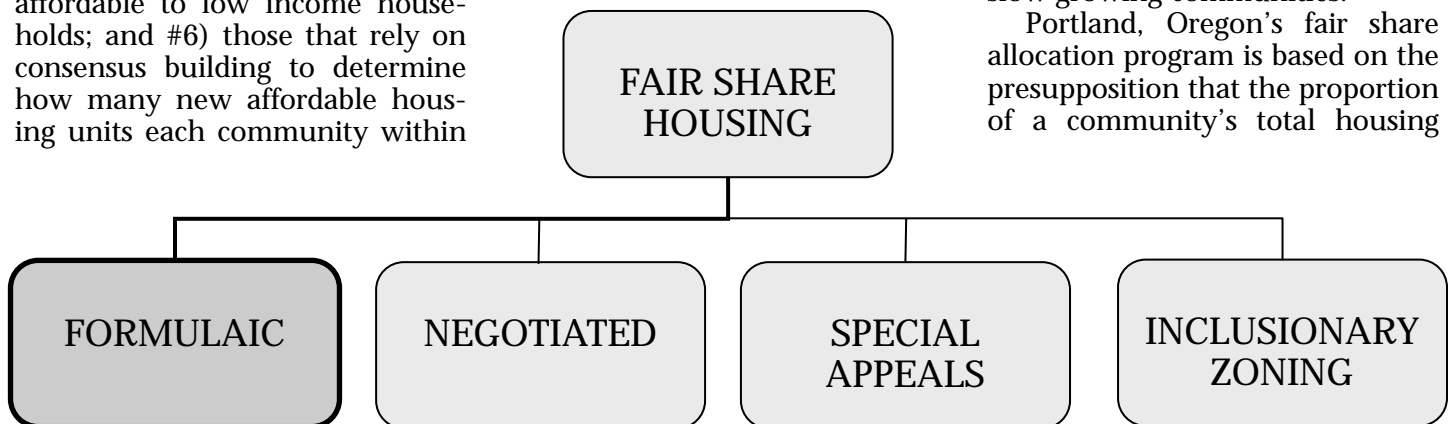
The Fair Share Measure, as it is being developed for the Good Neighborhood Campaign, will use the combined parameters of (1) households at or below 50% of area median income and (2) paying 50% or more of their income for their housing. This group comprises approximately 22,000 households in Delaware. This proxy measure for need aims at those most hard-hit by the affordable housing crisis. The measure will illustrate the spatial distribution of affordable housing need and stock in the state. Using data from the 2000 census, the measure will calculate the amount of affordable housing each census tract should ideally be providing, based on its share of the state’s total housing stock. By mapping the results, we will be able to illustrate that, while many of the state’s communities are providing an adequate (or, in some cases, disproportionately greater) share of affordable housing, there remain many that are not.

a region is responsible for providing.

New Jersey's fair share program, one of the most well known and longest running in the country, is a good example of a Category #1 formulaic approach. Mandated by the state Supreme Court through the Mt. Laurel decisions in the 1980s, which ruled that communities were responsible for providing affordable housing for their “fair share” of those in need in the state, New

Jersey’s allocation formula has changed over the years but has always been based on a combination of responsibility and capacity for affordable housing growth. Recently, a growth share has been added to the allocation formula, making communities responsible for providing affordable housing for a certain portion of *actual*, rather than potential, growth. The effectiveness of this approach has yet to be fully seen, however, there is concern that growth share allocations will fail to produce new affordable housing units in slow growing communities.

Portland, Oregon’s fair share allocation program is based on the presupposition that the proportion of a community’s total housing



stock that is affordable to low income households should be equal to the proportion of households region-wide that are in need of affordable housing. The allocation formula takes into account the number of housing units already being provided that are affordable to households in four income categories -- <30%, 30.1-50%, 50.1-80% and 80.1-120% Area Median Income. This is subtracted from the total amount that the community is considered responsible for providing. One of the weaknesses of this approach, however, is that it does not take other factors such as access to transportation or employment opportunities into account when determining a community's responsibility to provide affordable housing.

California provides a good example of [Category #3](#) -- a spatial distribution program based on projected household and employment growth in communities. State-wide need in four income categories -- <50%, 50.1-80%, 80.1-120% and >120% Area Median Income -- is projected by state government while regional governments are responsible for determining their portion of this need and distributing it to communities in the region. Each regional government is free to develop its own formula for allocating this need but general guidelines are provided by the state. A significant problem with this approach is that it does not take a community's capacity to absorb new housing into account.

Population-based approaches to fair share housing models -- [Category #5](#) -- assume that a certain percentage of a community's overall housing stock should be affordable to low income households. This approach is different


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from the approach used in Portland because the percentage is generally arbitrary rather than a reflection of the proportion in need of affordable housing regionally. For instance, in Massachusetts 10% of every community's overall housing stock is expected to be affordable to low income households. If this is not the case, builders have the ability to sue the municipality if it refuses to allow them to develop affordable housing units in the community. This is seen as a relatively passive approach because repercussions are only enacted if and when a municipality rejects a proposal for the development of affordable housing.

Connecticut provides a good example of [Category #6](#) -- a negotiated approach to fair share housing distribution. Pilot programs in the Hartford and New Haven regions brought together key stakeholders from each of the regions' communities to negotiate or come to a consensus on how much new affordable housing each community should be obli-

gated to provide in order to have the region's affordable housing more equitably distributed. Although this approach helps to develop more broad based support for the building of affordable housing, many argue that it is time-consuming and that consensus may be difficult to meet.

Clearly, a wide range of approaches to spatial distribution of affordable housing are being employed across the country, however, there remains a lack of understanding of which approaches may be the most effective. While each policy may appear strong on paper, they are virtually useless without the means and structure to enforce them. In addition, because of the vast diversity that is found among communities throughout the U.S., what works in one region may be ineffective in another.

In time, perhaps the effectiveness of particular approaches will become clearer, but until then policymakers will certainly keep trying to perfect strategies for addressing this critical social dilemma. 

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