

## Chapter 10 HOUSING

### BACKGROUND

Two important historic factors, the availability of older, inexpensive housing stock and relatively low annual population increases, have helped Hebron avoid some of the most critical housing affordability issues that are confronting first-time homebuyers and low to median income families in a number of towns and counties on the Eastern Shore. Between 2000 and 2005, however, data shows that these two factors are being impacted by increases in median home prices that are outpacing increases in median household incomes. In short, since 2001, home prices have been rising significantly faster than incomes, and the hardest hit have been first-time homebuyers and low to median income families. The downward trend in housing affordability that began in 2001 could worsen if significant measures are not taken to curtail it.

### HOUSING CHARACTERISTICS

In 2000, the Town of Hebron had a total of 333 housing units, 307 (92 percent) of which were occupied. As was the case in 1990, more than half (58 percent) of Hebron's housing stock was built before 1940, making it older and of lesser value than all surrounding counties. The median year built for housing in Hebron is 1950 and the average number of rooms per house is about six (see Table 31)

Table 31 - Median Year Built and Median Value of Housing, Dorchester, Caroline, Talbot and Wicomico Counties

	Hebron	Wicomico	Dorchester	Somerset	Worcester
Median Year Built	1950	1974	1961	1971	1981
Median Value	\$74,100	91,600	88,000	\$81,100	\$121,500

Source: U.S. Census 2000 Census

In renter-occupied housing, the average household size is 3.37 people (see Table 32). Owner-occupied households are smaller, with an average household size of 2.37 people. This may indicate that more families are occupying rental housing, and more childless couples, perhaps senior citizens, own their own housing.

Table 32 - Selected Characteristics of Occupied Housing Units – 2000, Hebron, Maryland

Renter-occupied housing units	86
Average number of household members	3.37
Average number of rooms	5.92
Median year structure was built	1950
Median year householder moved in	1998
Median rent (\$)	\$465
Median rent asked for vacant units (\$)	\$375
Owner-occupied housing units	221
Average number of household members	2.37
Average number of rooms	6.44
Median year structure was built	1950
Median year householder moved in	1990
Median value (\$)	\$74,100
Median price asked for vacant housing (\$)	\$85,000
Monthly cost, with mortgage (\$)	\$737
Monthly cost, without mortgage (\$)	\$250

Source: U.S. Census

Of the 333 total housing units in Hebron, the vast majority, 96 percent, are detached single-family units (see Table 33). Of these, 10 units are mobile homes. There are only three multi-family structures in the Town: one 2-unit and two 20+-units. Slightly more than 7 percent of the total housing units are vacant.

Table 33 - Housing Structural and Vacancy Characteristics – 2000, Hebron, Maryland

UNITS IN STRUCTURE	Percent
1-unit, detached	96%
1-unit, attached	0%
2 units	.3%
3 to 19 units	0%
20 or more units	.6%
Mobile home	3%
Vacant Units	7%

Source: U.S. Census

As mentioned earlier, the housing stock in Hebron is generally older than that of the County (see Table 34). Nearly 60 percent of the housing units in Hebron were built before 1940 as

compared to 18 percent for the County. This indicates that emphasis should be placed on housing rehabilitation, replacement, and maintenance programs.

Table 34 - Year Built and Selected Characteristics of Housing- 2000, Hebron and Wicomico County, Maryland

	Hebron	Wicomico
Year Structure was Built		
1990 to March 2000	9%	20.7%
1980 to March 1990	9%	25%
1940 to 1979	33%	58%
1939 or earlier	58%	18%
Lacking complete plumbing or kitchen facilities	.3%	.2%

Source: U.S. Census

The home ownership rate in Hebron is higher than all surrounding counties with the exception of Worcester County. This may be due to the availability of older, less expensive housing stock (see Table 35).

Table 35 - Total Owner and Renter Occupied Housing Units- 2000, Dorchester, Caroline, Talbot, and Wicomico Counties

Jurisdiction	Total Occupied Housing Units	Owner Occupied Units as Percent of Total Occupied Units	Renter Occupied Units as Percent of Total Occupied Units
Hebron	307	75%	25%
Wicomico County	32,218	67%	33%
Dorchester County	12,706	70%	30%
Somerset County	8,361	74%	26%
Worcester County	19,694	75%	25%

Source: U.S. Census

Detailed trend data on home sales and prices are not available at the municipal level. However, industry, federal, and state data collected from county jurisdictions is available, and as Wicomico County data includes Hebron, it is relevant and will be used for the following discussion.

### Workforce Housing

The availability of affordable housing for families who live and work in Hebron is essential. Relative to other areas of the Eastern Shore, home prices in Hebron have remained stable over the past decade. However, trend data indicates that median home prices have been rising slowly since 2000, and at an increasing rate since 2005. This raises a growing concern about the

availability and affordability of homes in Hebron in general, and makes homeownership for working families an increasingly challenging prospect.

Workforce housing includes single-family homes, townhouses, condominiums, starter homes, and apartments that are affordable to area workers. The workforce is typified by such workers as nurses, teachers, municipal employees, emergency responders, law enforcement staff, and other workers who provide essential services in a community. The availability of workforce housing is an issue that increasingly affects those people with full-time jobs whose work is vital to any community's day-to-day functioning.

The Governor's Taskforce on Workforce Housing's *Image of the Possible* Report, issued in July 2006, defines workforce housing generally as housing that is affordable to households earning incomes within the range 60 to 120 percent of area median household income. The 2000 U.S. Census reported that median household income in Hebron was \$36,750.00. Thus, workforce housing in Hebron includes homes that are affordable for working families with incomes ranging from \$22,050.00 to \$44,100.00. Table 36 illustrates the range of affordable home prices, based on gross income.

Table 36 - Workforce Housing Affordable Price Range

Gross Income	Loan Amount	Affordable Price
\$20,000	\$63,650	\$67,000
\$30,000	\$95,570	\$100,600
\$40,000	\$127,395	\$134,100
\$50,000	\$159,220	\$167,600

*Note: This table shows the approximate home price and loan amount a household earning the specified income could afford making a 5% down payment, with no more than 25% of gross income for principal and interest payments, at the current interest rate plus PMI premium.*

Source: MD Realtor Income Loan Price Table, December 2005

Data on Wicomico County home sales and median home prices indicate that the number of existing homes sold rose 23.1 percent between 2000 and 2005, and slightly over 3 percent between 2004 and 2005 (lower than all surrounding counties except Worcester) (see Table 37). Median home prices for Wicomico County grew 48.5 percent between 2000 and 2005, less than all surrounding counties except Somerset. However, between 2004 and 2005, the median home price increased by over 8 percent, second only to Dorchester in surrounding counties. This increase in median home price suggests a growth between 2004 and 2005 in available housing stock that is newer and of higher value. The most recent data from the State Housing Survey shows a total of 113 building permits were issued for new residential units in Wicomico County in December 2005, and while detailed data from 2000 to 2005 is not yet available, it is

likely that additional new housing construction in those years contributed to the increase in median home sale prices as well.

Table 37- Existing Home Sales and Median Home Prices, February-March 2006, Hebron, Maryland

	Existing Home Sales			Average Growth 2000-04	Median Price			Average Growth 2000-04
	2005	Growth 2000-05 2004-05			2005	Growth 2000-05 2004-05		
<b>Wicomico</b>	1,076	23.1%	3.0%	4.9%	\$161,539	48.5%	8.1%	8.4%
<b>Dorchester</b>	514	82.3%	-6.9%	19.3%	\$183,037	111.1%	23.1%	14.9%
<b>Somerset</b>	253	132.1%	0.09%	23.5%	\$117,486	38.2%	7.3%	9.6%
<b>Worcester</b>	2,163	-1.6%	-2.0%	0.2%	\$327,705	152.4%	6.2%	25.0%

Source: Maryland Association of Realtors, and DHCD, Office of Research.

While median house prices are still somewhat lower in Wicomico County compared to most of the surrounding counties, this does not mean that there is a greater amount of affordable housing available to the workforce. Comparing the price range of housing that is affordable to working families (Table 36) with the median price of a home in Wicomico County (Table 37), only those working families at the higher end of the workforce income scale (120 percent of median household income) are able to afford a median-priced home in the County.

In April 2006, the Maryland Legislature passed HB 1160, which established a Workforce Housing Grant Program within the Maryland Department of Housing and Community Development. The Program provides flexible capital funds to qualifying local governments for development costs of workforce housing.

A local government (county or municipal) qualifies for participation in the program and its grant monies if it has a HUD approved 5-year consolidated plan or a comprehensive plan with a workforce housing element. The workforce housing element must assess workforce housing needs and must contain goals, objectives, and policies that preserve or develop workforce housing. The workforce housing element of the Comprehensive Plan may include:

- Preservation or renovation of existing housing stock;
- Redevelopment of existing residential areas;
- Streamlined regulatory process;

- Reduced regulatory fees for construction or renovation and leveraging of Federal financial assistance;
- Financial incentives for construction and renovation;
- Special zoning regulations including inclusionary zoning;
- Efforts to preserve workforce housing stock for subsequent program participants;
- Coordination with neighboring jurisdictions and private sector employers.

In addition, in order to qualify, a local government must be able to provide a dollar-for dollar match for any program funds it receives and meet certain other criteria, including criteria for distribution and use of Program funds. HB 1160 went into effect on October 1, 2006.

A look at the trend in median home prices as compared to median household income for Hebron reveals a gap that began in 2001 and has been widening at an increasing rate since then. The median home prices are increasing at a faster rate than median household income. A substantial gap has grown since 2002 between Hebron resident incomes and housing costs. While this is a State and nationwide trend, the gap is significant in Wicomico County. Between 1999 and 2004, median household income in the County increased by 13 percent, while median home prices increased by 47 percent, more than three times as much.

The gap between household income and housing costs seen over the past few years is not unique to Hebron or to Wicomico County. A number of neighboring counties have already seen significant increases in residential development, particularly in the form of higher-priced retirement, or age-restricted, communities. The ever-increasing, region-wide shortage of workforce housing is an issue that will require innovative long-range planning that encompasses and addresses regulatory, economic, and social issues.

The Maryland Housing Affordability Index measures the ability of a family earning the median household income to purchase a median priced existing single-family home (100 being the standard). The index is measured separately for first-time homebuyers and repeat homebuyers.

Wicomico County's Affordability Index has been falling since 2003, from 103 for a first-time buyer in 2003 to 64 in 2005. This means that in 2005, the average first time homebuyer could only afford a home priced at 64 percent of the median home sale price. The repeat buyers index fell from 151 in 2003 to 99 in 2005.

The availability of affordable housing will be key to serving the needs of working families and first-time home buyers – particularly those who fall in the low to median income household range, which make up 68 percent of the Town's population.

## Rental Housing

A look at the statistics on renting in Wicomico County reveals that all renter households, not just low-income households, are struggling to meet rental housing costs (see Table 38).

Thirty-one percent of all households in Wicomico County cannot afford – using the HUD definition of affordability – the fair market rent for a two-bedroom apartment. HUD defines affordable housing as housing that costs 30 percent or less of the worker’s wage. Moving up to three-bedroom apartments, 38 percent of the County’s households cannot afford them; and 38 percent cannot afford a four-bedroom apartment.

To appreciate the full impact of this data, bear in mind that household incomes include incomes from multiple wage earners, people working two jobs, income subsidies, etc. The problem of housing affordability in Wicomico County – and Hebron – is not just a problem affecting the poorest families, it also impacts working families with secure jobs and multiple incomes.

Table 38 - Wicomico County Rent and Renter Household Statistics, 2003

<b>HUD Fair Market Rents, 2003</b>					
	Efficiency	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom
Wicomico County	\$420	\$532	\$640	\$814	\$873
<b>Percentage of All Households That Cannot Afford Rental Units, 2003</b>					
	Efficiency	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom
Wicomico County	16%	16%	31%	38%	38%

Source: Maryland Department of Human Resources, 2004 Fact Pack

A household has a “housing cost burden” if it spends 30 percent or more of its income on housing. A household has a “severe housing cost burden” if it spends 50 percent or more of its income on housing. The housing cost burden combines renter and owner occupied housing statistics. Owner housing costs consist of payments for mortgages, deeds of trust, contracts to purchase, or similar debts on the property; real estate taxes; fire, hazard, and flood insurance on the property; utilities; and fuels. Where applicable, owner costs also include monthly condominium fees. Renter calculations use gross rent, which is the contract rent plus the estimated average monthly cost of utilities (electricity, gas, water, and sewer) and fuels (oil, coal, kerosene, wood, etc.). Household income is the total pre-tax income of the householder and all other individuals at least 15 years old in the household.

Including renters and homeowners, nearly three-quarters (72.5 percent) of low-income families are cost burdened in Wicomico County (see Table 39) that is, spending 30 percent or more of

their income on housing. A lower yet still substantial number of households in the County are severely cost burdened (spending 50 percent or more of income on housing).

Table 39 - Housing Cost Burden for Low Income Families, 2000

	Percent of Households Cost Burdened	Percent of Households Severely Cost Burdened
Wicomico County	72.5%	56.9%

Source: Special Tabulation (Comprehensive Housing Affordability Study) Files, U.S. Census and HUD

## Policy Options

A recent report published by the Brookings Institute entitled “Rethinking Local Affordable Housing Strategies: Lessons From 70 Years Of Policy And Practice” evaluated the effectiveness of three broad approaches to affordable housing – rental assistance, homeownership assistance, and regulatory policies and discusses the lessons learned over the past seven decades. Key findings reported are informative to our discussion of potential affordable housing policies and strategies. These points are:

- The responsibilities for implementing affordable housing are increasingly shifting to state and local actors;
- Rental assistance programs require deep subsidies if they are to reach the neediest households; moreover, to be successful, rental assistance programs should avoid clustering affordable housing in low-income neighborhoods and include efforts to raise the incomes of low-income households;
- Homeownership among underserved populations has increased, mostly through improved access to mortgage credit; efforts to further expand homeownership should proceed cautiously; and
- Land use and other regulatory policies can have profound effects on the location and supply of affordable housing.

The lessons of the past suggest a set of principles to guide local housing policy. As the authors state, “...some of these principles may seem obvious, but nonetheless are frequently ignored. Others run counter to the conventional wisdom, but following them could avoid some of the more dismal failures for which conventional thinking is responsible.” The principles are:

- Regulation can be a powerful housing policy tool.
- Housing strategies should be tailored to local market conditions.

- Housing markets are regional, so housing policies should be.
- Income policy IS housing policy.
- Race matters.
- Implementation matters.

### **Regulations and Workforce/Affordable Housing**

Perhaps most directly related to the Comprehensive Plan recommendations are those that may impact land use and other development regulations and policies. The Brookings Institute research and other studies demonstrate that, “state and local regulations governing land use, residential development, construction standards, subdivision design, and property maintenance play critical roles, even when they are not explicitly considered as part of an affordable housing strategy.” As the Brookings study points out, “historically, local land use and development regulations have tended to undermine the goals of affordable housing policy, whether intentionally or not. Requirements for large lot sizes; expensive subdivision design standards and construction codes; prohibitions against manufactured housing, townhouses, or multifamily development; and time-consuming permitting processes have all been shown to make housing more expensive. These regulatory barriers have also prevented the development of affordable housing and reinforced patterns of economic and racial separation.”

When considering the role of comprehensive planning and the affect of land use regulations on affordable housing it is important to make the distinction between “growth control” and “growth management” as the distinction is important. “Growth control” policies are designed to limit the growth of the housing stock; “growth management” policies accommodate projected development. The goals of growth management are to: preserve the public good, minimize negative externalities, minimize public fiscal impact, maximize social equity, and elevate quality of life. These goals are consistent with, and often explicitly include, expansion of the supply and accessibility of affordable housing.

Fragmented authority among individual municipalities and counties is cited as another constraint on the effective use of regulatory tools for affordable housing. When one or more jurisdictions in the region employs exclusionary zoning and land use regulations, e.g., low density, large lot zoning, building permit caps, development moratoriums, and high permitting fees, the results can be to place an even greater burden on the resources of other jurisdictions to address the problem. Strategies intended to expand the availability of affordable housing, promote racial and economic diversity, or promote balanced growth are more effective when all jurisdictions in the region participate.

## **Inclusionary Zoning**

A recent zoning technique that is becoming more popular as an affordable housing strategy is inclusionary zoning. Inclusionary zoning is a technique that can be used to increase the number of affordable units—for both ownership and rental. Inclusionary zoning can be either mandatory or voluntary. In either case developers “set aside” a certain percentage of units in new residential developments for low and moderate income households. The zoning usually provides some form of developer “incentive” such as “density bonuses” and/or reduced fees. The theory is that these incentives reduce or offset some of the cost of producing the affordable units. Some communities accept an *in lieu* fee. These cash contributions are allocated to affordable housing funds, the money from which a local housing authority and/or nonprofit organization buys affordable units and operates them as a sort of scattered-site public housing program.

## **RECOMMENDATIONS**

The Comprehensive Plan recommends a number of actions related to regulatory and other policies that impact workforce and affordable housing including the following:

- Ensure that regulatory policies align with affordable housing goals to correct regulations or requirements that explicitly exclude affordable housing types or that unnecessarily raise the cost of construction.
- Consider adopting inclusionary zoning provision for large-scale residential projects that requires a portion of housing units in a new development be reserved for affordable housing.
- Allow for garage apartments and other kinds of accessory dwelling units.
- Permit higher-density residential development.
- Implement public water and sewer projects that enable higher-density residential development and mixed-use neighborhoods in designated growth areas and encourage a mix of housing densities and types in new subdivisions.
- Allow modified and/or flexible building codes to eliminate unnecessarily costly construction requirements.
- Where appropriate, allow reduced street widths and other unnecessary infrastructure requirements.
- Streamline approval processes to make the development process less time consuming.

- Preservation and renovation of existing housing stock.
- Redevelopment of existing residential areas.
- Waive or reduce fees (e. g., impact fees, excise tax) and infrastructure requirements, and provide other financial incentives for construction and renovation of workforce housing to make them financially feasible.

Work with the County government and the County's largest employers to develop and promote employer-assisted housing programs to increase workforce housing in Hebron, including:

House Keys 4 Employees. The Maryland Department of Housing and Community Development (DHCD) will match, dollar-for-dollar, contributions toward down payment and closing costs from participating employers, local jurisdictions, unions and/or nonprofit agencies up to a maximum of \$5,000. The match is in the form of a 0% deferred loan. This assistance is over and above what is available through standard DHCD Homebuyer Assistance Programs (More House 4 Less). Maryland employers currently participating in the program include county governments and school systems, city governments and school systems, the State of Maryland, several colleges, and private businesses.

Live Near Your Work. This program is active in Wicomico County and has two participating employers located in Salisbury, within 5 miles of Hebron: Peninsula Regional Medical Center and Salisbury University. PRMC will provide a \$2,500 grant for assistance with down payment and closing costs. This program has length of employment and other criteria that must be met by applicants. This funding can be combined with City of Salisbury Home Conversation Grant program for \$3,000 for a total funding availability of \$5,500. Salisbury University will provide \$2,000 for assistance with down payment and closing costs. An additional \$3,000 grant is available for the purchase of a home in a designated area that has been a rental for at least the 3 previous years. This funding can be combined with City of Salisbury Home Conversation Grant program for \$3,000 for a total funding availability of \$8,000.

Establish a housing trust fund, to assist working families, with programs dedicated solely to constructing or renovating affordable workforce housing, with the long-range goal of preserving workforce housing stock for subsequent program participants.

A housing trust fund is a dedicated stream of revenue used as a resource to assist the development or preservation of affordable homes. Housing Trust Funds can be funded through development fees, taxes on other types of revenue (i.e. stamp taxes, hotels/entertainment, sales), and general revenue. A fund is created to specifically respond to a community's affordable housing needs by establishing priorities, target populations,

and affordability guidelines. Trust Funds are usually administered by Town staff, often under the guidance of an advisory board.