

CHAPTER 6: HOUSING

The goals of growth management are to:

1) preserve public goods, minimize negative externalities; 2) minimize public fiscal impact; 3) maximize social equity; and 4) elevate quality of life. These goals are consistent with, and often explicitly include, expansion of the supply and accessibility of affordable housing. Regional strategies that encompass multiple, neighboring jurisdictions should be employed to ensure that the regulatory tools employed to achieve these goals are not fragmented and ineffective.

HOUSING

The “Housing Element” discusses ways to expand the availability of affordable housing and promote economic diversity as well as balanced growth, which are more effective when all jurisdictions in a region participate.

When one or more jurisdictions in a 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 trickle-down effect is that neighboring towns and counties bear an even greater burden in trying to supply affordable and accessible housing. Strategies intended to expand the availability of affordable housing and promote economic diversity and balanced growth are more effective when all jurisdictions in the region participate. Cooperation and coordination between jurisdictions and municipalities is the key to the success of any program

HOUSING GOALS

GOAL #1: Develop policies, initiate programs, and acquire funding to help alleviate substandard housing conditions.

GOAL #2: Provide residential areas, in appropriate locations, which can accommodate a variety of housing densities, types, sizes, and costs to meet the needs of existing and future populations.

GOAL #3: Provide a supply of workforce and affordable housing sufficient to meet the needs of low and moderate income households and senior citizens.

HOUSING OBJECTIVES

- Seek assistance through available State and Federal programs for rehabilitation or, in some cases where no other alternative exists, for the removal and replacement of existing substandard rental and owner-occupied housing units.
- Provide incentives to encourage the development of new affordable housing as well as to encourage restoration and rehabilitation of existing housing, which is affordable for households earning less than the median family income of the Town.

- Develop tools and methods to ensure an adequate supply of affordable housing as new development is approved. This includes encouraging or requiring that a minimum percentage of housing units in larger developments be constructed as “moderately” priced dwelling units.
- Locate affordable housing where public facilities and community services are adequate to meet the needs of a higher density community.
- Seek public input to determine the types of affordable housing that would best meet the needs of Willards’ citizens (i.e., accessory dwellings, townhomes, ‘cottage’ neighborhoods, etc.).

HOMEOWNERS AND AFFORDABILITY

Detailed trend data on home sales and prices in Maryland are not available at the municipal level. However, industry, federal, and state data collected from county jurisdictions is available. In this regard, Wicomico County data, including Willards, is relevant and will be used for the following discussion.

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 6-1). 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.

Table 6-1 Existing Home Sales and Median Home Prices, February-March 2006

	EXISTING HOME SALES				MEDIAN PRICE			
	2005	Growth		Average Growth 2000-04	2005	Growth		Average Growth 2000-04
		2000-05	2004-05			2000-05	2004-05	
Wicomico	1,076	23.1%	3.0%	4.9%	\$161,539	48.5%	8.1%	8.4%
Dorchester	514	82.3%	-6.9%	19.3%	\$183,037	111.1%	23.1%	14.9%
Somerset	253	132.1%	0.09%	23.5%	\$117,486	38.2%	7.3%	9.6%
Worcester	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, 2006.

The increase in median home price suggests 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. 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, a positive trend.

While median house prices are still somewhat lower in Wicomico County, compared to most of the surrounding counties, this does not mean that housing is more affordable. A look at the trend in median home prices, as compared to median household income for Wicomico County, reveals a gap that began in 2001 and has been widening at an increasing rate (see Figure 1).

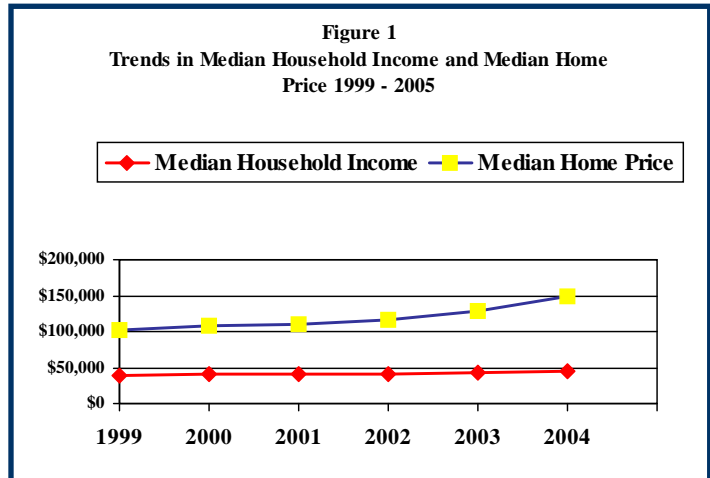
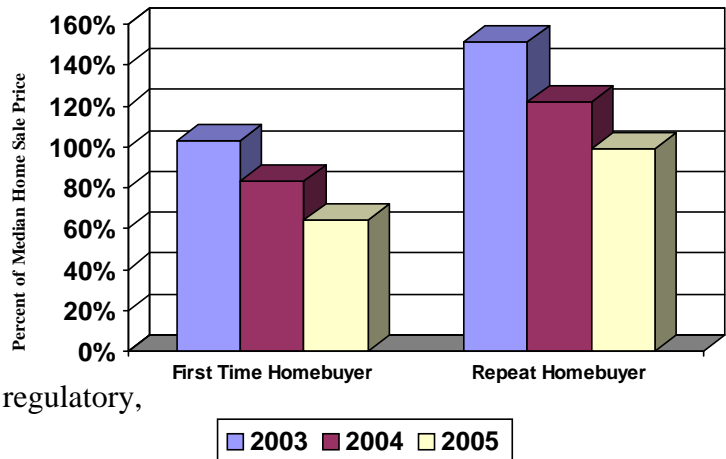


Figure 1 illustrates that median home prices are increasing at a faster rate than median household income in Wicomico County. The gap between median household income and median home value also widened in Willards between 1990 and 2000.

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 Willards 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 affordably priced housing is an issue that will require innovative long-range planning that encompasses and addresses regulatory, economic, and social issues

Figure 2: Wicomico County Homebuyer Indices



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. As shown in Figure 2, 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 (see Figure 2).

The availability of affordably priced homes and rental housing will be a key to serving the needs of both first-time home buyers and low to median income households, who make up 68 percent of the Town's population.

RENTER HOUSEHOLDS AND AFFORDABILITY

As shown in Table 6-2, using the HUD definition of affordability, 31 percent of households in Wicomico County cannot afford 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. 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.

Table 6-2: Wicomico County Rent and Renter Household Statistics 2003					
HUD Fair Market Rents 2003					
Classification	Efficiency	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Wicomico Co.	\$420	\$532	\$640	\$814	\$873
Percentage of all Households that Cannot Afford Rental Units 2003					
Classification	Efficiency	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Wicomico Co.	16%	16%	31%	38%	38%
Source: Maryland Department of Human Resources 2004 Fact Sheet					

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

Table 6-3: Housing Cost Burden for Low Income Families 2000		
Classification	% Households Cost Burdened	% Households Severely Cost Burdened
Wicomico County	72.5%	56.9%
Source: Special Tabulation (Comprehensive Housing Study) Files – U.S. Census and HUD		

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. The 2000 housing cost burden for Wicomico County is shown in Table 6-3.

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, that is, spending 30 percent or more of their income on housing. Over half of the households in the County are severely cost burdened (spending 50 percent or more of income on housing).

WORKFORCE HOUSING

The availability of affordable housing for families who live and work in Willards is essential. Relative to other areas of the Eastern Shore, home prices in Willards have remained stable over the past decade. However, trend data indicates that median home prices in the County have been rising slowly since 2000 and at an increasing rate since 2005. This constitutes a growing concern about the availability and affordability of homes in Willards 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 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 income. The 2000 U.S. Census reported that median household income in Willards was \$32,059.00. Thus, workforce housing in Willards includes homes that are affordable for working families with incomes ranging from \$19,235.00 to \$38,470.00. Table 6-4 illustrates the range of affordable prices available to residents of Willards, based on gross income.

Gross Income	Loan Amount	Affordable Price
\$20,000	\$63,650	\$67,000
\$30,000	\$95,570	\$100,600
\$40,000	\$127,395	\$134,100
*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 the principal and interest payments, at the current interest rate plus PMI premium.		
Source: MD Realtor Income Loan Price Table – December 2005		

In April 2006, the Maryland Legislature passed Maryland House Bill 1160 (HB 1160) establishing a Workforce Housing Grant Program within the Maryland Department of Housing and Community Development (MDHCD). 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. To qualify for participation, 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.]

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.

Inclusionary 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 a fee in lieu. These cash contributions are allocated to an affordable housing fund as money from which a local housing authority and/or nonprofit organization buys affordable units and operates them as a public housing program

IMPLEMENTATION RECOMMENDATIONS

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

RECOMMENDATION #1: Ensure that regulatory policies align with affordable housing goals by correcting regulations or requirements that explicitly exclude affordable housing types or that unnecessarily raise the cost of construction.

RECOMMENDATION #2: Consider adopting an inclusionary zoning provision for large scale residential projects that requires a portion of housing units in a new development be reserved for affordable housing. Discuss adopting joint county/municipal inclusionary zoning requirements with Wicomico County and neighboring towns.

RECOMMENDATION #3: Allow for garage apartments and other kinds of accessory dwelling units.

RECOMMENDATION #4: Permit higher-density residential development.

RECOMMENDATION #5: 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.

RECOMMENDATION #6: Where appropriate, allow reduced street widths and other unnecessary infrastructure requirements.

RECOMMENDATION #7: Streamline approval processes to make the development process less time consuming.

RECOMMENDATION #8: 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.

RECOMMENDATION #9: 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. Establish an advisory board to administer the Housing Trust Fund and to apply for participation in programs such as the Maryland DHCD’s Workforce Housing Grant Program.

RECOMMENDATION #10: Work with the Wicomico County government and the County’s largest employers to develop and promote employer-assisted housing programs to increase workforce housing in Willards, 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 20 miles of Willards: Peninsula Regional Medial 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.