

CULLY AFFORDABILITY STANDARD FOR HOUSING (CASH)

Part I: Assessing Current Affordability Needs
and Creating the Standard

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I. Introduction

In 2013, the City of Portland [released a study](#) indicating that Cully is in the early stages of gentrification. As one of the last remaining inner-Portland neighborhoods offering relatively affordable housing options, Cully will be subject to increasing market pressures as housing prices rise in nearby communities and new public and private investments make the neighborhood a more desirable place to live and work.

With growing concerns about the future of Cully's current low-income and community-of-color residents, Living Cully partnered with a team of urban planning master's students at Portland State University to develop [Not in Cully: Anti-Displacement Strategies for the Cully Neighborhood](#). Combining input from community members with research on existing conditions and strategies employed in other gentrifying neighborhoods, the students identified the preservation of housing affordability as one of three priority areas for Living Cully's anti-displacement efforts.

The public and nonprofit stakeholders who have since rallied around this issue recognize that actions to maintain affordability in Cully must be initiated quickly. While properties remain relatively affordable and vacant parcels are still available, market forces will likely constrain opportunities to develop and preserve affordable housing over the next few years. In late 2013, Living Cully met with City staff from the Portland Housing Bureau, the Portland Development Commission, and the Bureau of Planning and Sustainability to start constructing a housing policy framework for Cully.

Two key questions emerged from this conversation: 1) How much affordable housing is needed, and 2) Which strategies will best allow us to meet those needs? Together, they have spurred Living Cully's *Cully Affordability Standard for Housing (CASH)* effort. Part 1 of CASH, represented by this document, is an analysis of current needs. In Part 2, Living Cully and its public and nonprofit partners will set measurable objectives and develop strategies to preserve housing affordability, resulting in an action plan with preliminary roles and responsibilities for implementers. We expect Part 2 to be accomplished during a series of planning workshops scheduled for early June 2014.

II. Meeting current and projected affordability needs

To determine the scale of intervention needed to preserve housing choice and access in Cully, Habitat for Humanity Portland/Metro East was tasked with compiling data to estimate current and projected affordability needs. After reviewing a range of publicly available data sources, we chose a simplified approach that focuses on two categories of "at-risk" households:

- Households with currently unaffordable housing
- Households with currently affordable housing that could become unaffordable due to market forces

The data that follows will be used to determine measurable housing production and preservation targets for Living Cully and its partners. Some key questions and considerations include:

- How much of the affordability needs emerging from this analysis should we attempt to address through housing strategies, versus strategies to increase household income or reduce other household expenses?
- While this data represents a static “snapshot” in time, neighborhood demographic shifts and market forces mean that affordability needs constitute a dynamic, moving target. To put it another way, the housing targets emerging from this analysis will be based upon conditions at a specific point in time, but the most effective housing plan for Cully will remain responsive to change. Therefore, what is Living Cully’s implementation timeline for strategies to meet the 2014 targets, and at what point will it be important to reassess affordability needs and adjust our objectives and strategies accordingly?
- While it will be relatively easy to measure our progress in meeting specific housing production and preservation targets, the degree to which we have preserved overall affordability and therefore stemmed displacement should be assessed carefully. For example, a significant drop in housing cost-burdened households between 2014 and 2019 might indicate that a) strategies to expand affordability successfully stabilized many residents in their homes, or (quite the opposite) b) a large share of residents present in 2014 were displaced by new, higher-income residents during that five-year period. Section 3 of this document, “Creating the Cully Affordability Standard for Housing,” offers a recommendation for measuring anti-displacement success over time based on a “no net loss” approach.
- Due to an emphasis on affordability and a desire to reduce complexity, housing quality, household race/ethnicity, and many other indicators that could inform decisions about strategies or priority populations have been excluded from this analysis. Such supplemental data can be found elsewhere, including the [Not in Cully background documents](#) (see Section 3: Existing Conditions Report) and the City of Portland’s [Gentrification and Displacement Study](#) (see Appendix C: Cully Neighborhood Drilldown Example). Additional data should be utilized as appropriate for successful strategy implementation.

Additional questions and considerations are posed throughout this document as prompts for CASH Part 2 workshop sessions.

At-risk households: Households with currently unaffordable housing

Table 1: Cully households by tenure

	#	% All Households
Total Households (Occupied Units)	4624	100.0%
Owner Households	2654	57.4%
Renter Households	1970	42.6%

Source: U.S. Census Bureau - 2008-2012 American Community Survey 5-Year Estimates

Households with currently unaffordable housing as measured by cost burden (paying more than 30% of their gross income towards housing, including utilities) may be renters or owners. We can imagine that many of these households--though not necessarily all--already find it difficult to make their monthly mortgage or rent payments, and are therefore highly sensitive to increases in housing and living costs.

There are an estimated 1,068 renter households in Cully earning below 80% of Portland's median family income (MFI) who are currently experiencing housing cost burden. Not surprisingly, the largest share of these households fall in the lowest income category, earning 30% MFI or below (Table 2).

Table 2: Cully cost-burdened renter households income

MFI	Renter Households with Housing Burden	% All Households
<=30%	578	12.5%
30-50%	290	6.3%
50-80%	200	4.3%
80-100%	0	0.0%
>100%	0	0.0%
ANY MFI	1,068	23.1%

Source: HUD - 2007-2011 Comprehensive Housing Affordability Strategy Data

A housing intervention is not necessarily appropriate for all of these households. Economic and workforce initiatives happening in parallel with housing efforts may alleviate affordability issues for some. Displacement risk may also be low for a portion of these households despite cost burden (e.g., consider an upwardly mobile young professional earning close to 80% MFI, renting slightly above his/her means but having a manageable budget due to low debt and household expenses).

Table 3 adds another layer of information, household type, that can be used to identify specific vulnerabilities within the cost-burdened renter population to narrow in on housing production and preservation targets. For example, elderly households may be unlikely to participate in workforce initiatives aimed at increasing income. Therefore, Living Cully should consider including most, or perhaps all, elderly cost-burdened renter households in its counts.

Household type information may also inform the types and sizes of units needed for affordable housing production strategies.

Table 3: Cully cost-burdened renter households by income and household type

MFI/Household Type	Renter Households with Housing Burden	% All Households
<=30%	578	12.5%
Small family (2-4 people)	170	3.7%
Large family (5 or more people)	110	2.4%
Elderly non-family (1-2 people, at least 1 age 62 or over)	155	3.4%
Elderly family (2 people, at least 1 age 62 or over)	15	0.3%
Other (non-family, non-elderly)	128	2.8%
30-50%	290	6.3%
Small family	110	2.4%
Large family	0	0.0%
Elderly non-family	10	0.2%
Elderly family	0	0.0%
Other	170	3.7%
50-80%	200	4.3%
Small family	125	2.7%
Large family	15	0.3%
Elderly non-family	0	0.0%
Elderly family	0	0.0%
Other	60	1.3%
80-100%	0	0.0%
>100%	0	0.0%

Source: HUD - 2007-2011 Comprehensive Housing Affordability Strategy Data

Tables 4 and 5 replicate the above analysis for owner households, and identify an estimated 899 owner households in Cully experiencing cost burden. While housing strategies will be different for owners than renters, similar considerations apply when determining target numbers. For example, cost-burdened owner households earning more than 100% MFI may be less susceptible to displacement than households at lower income levels, and might therefore be a lower priority in Living Cully's counts.

Table 4: Cully cost-burdened owner households by income

MFI	Owner Households with Housing Burden	% All Households
<=30	180	3.9%
30-50	160	3.5%
50-80	280	6.1%
80-100	170	3.7%
>100	289	6.3%
ANY MFI	899	19.4%

Source: HUD - 2007-2011 Comprehensive Housing Affordability Strategy Data

Table 5: Cully cost-burdened owner households by income and household type

MFI/Household Type	Owner Households with Housing Burden	% All Households
<=30%	180	3.9%
Small family (2-4 people)	30	0.6%
Large family (5 or more people)	0	0.0%
Elderly non-family (1-2 people, at least 1 age 62 or over)	110	2.4%
Elderly family (2 people, at least 1 age 62 or over)	20	0.4%
Other (non-family, non-elderly)	20	0.4%
30-50%	160	3.5%
Small family	35	0.8%
Large family	50	1.1%
Elderly non-family	55	1.2%
Elderly family	0	0.0%
Other	20	0.4%
50-80%	280	6.1%
Small family	135	2.9%
Large family	45	1.0%
Elderly non-family	10	0.2%
Elderly family	50	1.1%
Other	40	0.9%
80-100%	170	3.7%
Small family	35	0.8%
Large family	15	0.3%
Elderly non-family	80	1.7%
Elderly family	0	0.0%
Other	40	0.9%
>100%	289	6.3%
Small family	105	2.3%
Large family	24	0.5%
Elderly non-family	10	0.2%
Elderly family	25	0.5%
Other	125	2.7%

Source: HUD - 2007-2011 Comprehensive Housing Affordability Strategy Data

At-risk households: Households with currently affordable housing that may become unaffordable due to market forces

Theoretically, any household with currently affordable housing could at some point experience cost burden due to a reduction in income or an increase in housing or utility costs. Therefore, we chose to focus on households that possess a presumably low degree of purchasing power and live in non-subsidized housing, where they are more susceptible to market forces.

Table 6 describes low-income renters (0-80% MFI) who are not experiencing housing affordability issues. Determining which of these households live in unsubsidized versus subsidized rentals is somewhat difficult. According to Metro's 2011 Affordable Housing Inventory, Cully has 624 subsidized, income-restricted rental units--and yet there are only 359 renter households earning 0-80% MFI without cost burden. This disparity could be due to a few factors. First, the data on cost burden is drawn from HUD tabulations of American Community Survey data; all figures estimates with margins of error.

Table 6: Cully renters without cost burden by income level

MFI	Renter Households without Housing Burden	% All Households
<=30	85	1.8%
30-50	54	1.2%
50-80	220	4.8%
UP TO 80% MFI	359	7.8%

Source: HUD - 2007-2011 Comprehensive Housing Affordability Strategy Data

Second, households living in an income-restricted unit must be income qualified upon application, but they do not necessarily pay rents less than or equal to 30% of their income, meaning they could simultaneously live in a subsidized unit and experience cost burden. In either case, the data suggests that few low-income households living in market-rate rentals currently have affordable housing costs.

The second group of households in this category reside in mobile homes. Whether they rent or own the dwelling unit, mobile home households are susceptible to displacement because they generally do not own the land on which the units sit. In addition, these households tend to be very low-income and therefore have fewer choices regarding their living situations. Since most live in one of Cully's five mobile home parks, the sale of a park could displace a large number of households at once.

There are an estimated 290 mobile home units in Cully (source: U.S Census Bureau, 2008-2012 American Community Survey). Some portion of these households may already be counted in the above data on cost burden, but are included here due to their heightened displacement risk, regardless of current affordability.

III. Creating the Cully Affordability Standard for Housing

The central goal of the CASH analysis and subsequent action plan is to preserve choice and stability for current and future low-income residents when we know that the open market will increasingly constrain housing access over time. Practically speaking, this means preserving a supply of housing units that are permanently affordable or otherwise market-shielded, even as the market provides additional unrestricted units or increases the cost of existing units.

In early conversations about CASH, stakeholders expressed the desire to see an affordability standard against which implementers could be held accountable and success measured. We recommend that Living Cully and its partners utilize a “no net loss” standard that tracks market-shielded units as a share of all occupied units. [Note that this is similar to the Portland Housing Bureau’s no net loss approach to maintaining its supply of affordable housing, but because it focuses on stable units as a percentage of total units rather than an absolute number, we feel that the CASH standard provides a more dynamic way to gauge housing choice over time.]

Goal: Maintain or increase the share of market-shielded units in Cully over time.

Currently: Approximately 14% of all occupied units in Cully are shielded from the market.

Market-shielded units are defined as permanently (or very long-term) affordable rental and ownership units, including public housing, nonprofit-owned subsidized rentals, and Proud Ground land trust homes. Habitat houses--which could eventually be turned over to the market, but come with resale restrictions and affordable mortgage payments based on household income--are also included.

Using this type of measurement as both an overarching goal and a way to measure success, Living Cully can succinctly answer a difficult question posed during the CASH process: Does preventing displacement through housing strategies also mean keeping people at their current income levels so they can qualify for that housing? (Or, more broadly: Does preserving income diversity mean keeping some people poor?)

The answer is no. Rather, we wish to preserve the *opportunity* to live in Cully regardless of one’s income, for current but also future residents, by keeping a minimum share of the neighborhood’s units affordable. This allows low-income households to increase their income and cycle to market-rate housing as they are able, while maintaining access to housing for a variety of income levels.

Next Steps

Living Cully and its partners will use this data to determine reasonable targets for housing production and preservation. In addition, stakeholders will develop an action plan to meet those targets. Among other strategies, the plan could include efforts to:

- Expand the supply of income-restricted, permanently affordable rental units
 - Develop market-shielded rental units through new construction or unit conversion
 - Maintain the quality and affordability of existing subsidized units
- Expand affordable homeownership opportunities
 - Provide financial assistance and homebuyer counseling/education
 - Develop market-shielded homeownership units through new construction or acquisition/rehab
- Preserve affordability for homeowners and renters in their current units through targeted programs and services.