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How is affordable housing defined?

A home is affordable when it rents or sells at a level that allows a family to cover its housing costs and still have sufficient funds left over to pay for other necessities, like food, clothing, and medical costs. Everyone needs housing they can afford, and thus a well-functioning housing market includes homes that rent or sell at a variety of price points, from low to high.

Sometimes, people hear the phrase “affordable housing” and think it refers only to housing for the very poorest households. This is not how we understand the term. Rather, we use the term to refer to housing that rents or sells for levels below that typically provided by the market. Because housing in Norwich is so expensive, there is a need to create housing affordable to people with a range of incomes, including working families, young families, seniors and others. People with incomes between \$50,000 and \$70,000 need more affordable housing options in Norwich, as do people with incomes between \$35,000 and \$50,000 and people with incomes below \$35,000.

Some policies and programs aimed at making housing more affordable specify that an affordable rent or mortgage is one that does not consume more than 30 percent of a family’s monthly income. While this definition has some limitations, it is useful as a “rule of thumb” for understanding when rent or a monthly mortgage payment is affordable.

How is affordable housing created?

Affordable housing can be created in one of three ways:

1. First, it can be created when an affordable housing provider (typically a nonprofit organization) uses federal Low-Income Housing Tax Credits or other government subsidies to construct an affordable housing development. This approach is particularly useful for serving households with very-low incomes. However, there is a limited number of government subsidies available.
2. Second, it can be created when the private housing market produces enough housing to fully meet the demand. When the demand for housing is strong but the supply is relatively low, as in Norwich and Hanover, housing prices tend to rise faster than incomes. To make housing more affordable, the overall supply of housing needs to be increased, so that renters and buyers have more leverage to ask for reasonable rents and home prices.
3. Finally, there is a variation on the second approach, in which a local government allows more housing to be built but requires that a share of this housing be affordable to households at a specific level. While this approach – sometimes called inclusionary zoning – cannot produce housing affordable to households with the very lowest incomes,

it *can* produce housing affordable to households with moderate to middle incomes. (For example, the current proposal being considered by the Norwich planning commission would produce housing affordable to a family with three making about \$45,600.)

Because this approach does not require government subsidies, there is no limit to the number of units that can be produced in this manner. When executed well, this approach can also produce units at other price points where there may be a need. At the same time, it is important to calibrate the approach carefully. If the requirements are too stringent, no housing will be built at all, reducing the overall supply of housing.

All three approaches can be beneficial, and there is value in considering them together, rather than as alternatives.