Barriers To Affordable Housing In Maryland

Barriers to affordable housing may include bureaucratic procedures, codes and standards, some land use controls, financial barriers, lack of financial resources by housing providers, lack of coordination of resources, and scattered growth which drives up infrastructure and housing costs. In addition, some families and individuals face barriers to fair housing choice because of lack of access or lack of availability to affordable housing.

Building Codes and Standards

While new residential and commercial development consumes agricultural land, forests, and other undeveloped land, thousands of existing buildings in our communities are not being fully utilized or are abandoned. Many existing buildings with historic architectural elements are in danger of deteriorating or being lost. These vacant and underutilized buildings pose a threat to the health, safety, and welfare of the citizens of the State. The rehabilitation of such buildings, however, is often hampered by constraints in the building construction regulatory system. Many existing codes that apply to rehabilitation are conflicting and overlapping. Also, many codes vary from jurisdiction to jurisdiction, posing a challenge to redevelopment. Standardization of such codes, and the development of consistent standards would both protect public safety and lower rehabilitation costs leading to the re-use of thousands of vacant and underutilized buildings in Maryland. The State has been moving consistently toward standardizing codes, including adopting the IECC code.

Local Zoning

Zoning is the primary system by which counties and municipalities maintain control over the pattern of land development within their borders. Zoning regulations allocate parcels of land to different classifications with certain uses being permitted, while others are proscribed. Zoning practices of counties and localities often have the intended or unintended effect of increasing housing costs, and effectively excluding prospective moderate-income households from locating affordable housing for purchase or rent. Zoning can be used as a positive tool in support of cost-effective and efficient design if housing affordability is considered as a part of the jurisdiction's policy. The use of techniques such as programs for moderately priced dwelling units, zero lot line housing, mixed use zones, viable basic design and performance zoning can help to produce affordable housing.

Conversely, the separation of residential from non-residential uses exacerbates traffic problems since most employees cannot walk to work. Moreover, upper-income residents may bid up the price or rent of housing units that are conveniently located near to places of employment therein forcing lower-income residents to live farther from their places of employment. The State's high priority on rebuilding healthy, diverse communities and eliminating sprawl development is intended to reverse this trend.

Zoning regulations prescribing minimum lot sizes minimum setbacks, and other requirements may necessitate the need for larger lots, which drive up the cost of housing and making it less affordable. Zoning regulations also may prohibit the development of ancillary dwelling units, even if such units do not impose a significant cost on other community residents. Ancillary dwelling units -- sometimes called in-law apartments or "granny flats" — are an important tool to increase the supply of housing for moderate-income households, particularly single people who require minimal space. This type of unit and a wide variety of other compatible mixed-use and mixed-income designs should be permitted by local land use policy and the regulations which implement it.

Approval Fees

Approval fees also may constitute a significant barrier to the development of affordable housing in Maryland depending on the type, size, and location of the proposed development. The fees and charges necessary for approval of a residential development include subdivision fees, building and other permit fees, and charges for access to sewers and other public infrastructure, among others. Prospective developers may be required to prepare market analyses, environmental or economic impact analyses, or infrastructure requirements analyses and engineering plans to accompany particular development proposals. In many cases the aggregate cost of these fees, charges, and required submissions can amount to a significant share of the total cost of a residential development.

Permit Approval Process

The length of time involved in the permit approval process itself may constitute a significant barrier. In some cases the process of obtaining all required permits and approvals may add months or even years to the development time. During this period the developer must pay the explicit costs of funds borrowed to finance the development and staff retained to design it, as well as the implicit cost of revenues foregone as a result of the approval process delay. Often such delays are due to the needs for submission revisions in accordance with permit requirements. But whether the delays are the fault of government officials or developers, they still reduce the financial return on the development of affordable housing.

Lack of Adequate Financial Resources

A widely recognized, yet difficult to overcome barrier to affordable housing in Maryland is the lack of adequate financial resources. Although nationally recognized for its innovative and effective housing programs, DHCD still has insufficient resources to meet the need for affordable rental and homeownership housing. State resources are extremely tight as the State has had several years of declining revenue, a situation which is expected to continue into the near term future. At the same time, federal resources have been cut or shrinking, especially for programs such as HOME and CDBG which are the primary tools for constructing and/or rehabilitating affordable housing for the low-income individuals.

Housing Acquisition Finance Requirements

Mortgage down payment requirements constitute a significant barrier to the purchase of otherwise affordable housing by moderate-income households. The rise in subprime lending over the past five years was a reflection of this as many persons otherwise ineligible to afford housing accessed the market through “creative” financing. The subsequent melt-down in the capital markets in turn resulted in many banks requiring substantial down payments before providing loans.

Rental security deposits may also constitute a barrier to the acquisition of otherwise affordable rental housing by moderate-income households, although security deposits are generally small compared with mortgage down payment requirements. In addition, the poorest households, including extremely low-income households and households receiving SSi or SSDI often can not afford rents even in low-income housing developments.

Governmental Coordination

Lack of coordination among and within State agencies creates a barrier to affordable housing. Uncoordinated government efforts with sometimes competing aims cause delays in funding of affordable housing, create conflicting policy/funding priorities across government agencies, and add to administrative burdens.

Fair Housing Choice

One of the greatest barriers to affordable housing for many Maryland families is the lack of fair housing choice. HUD broadly defines fair housing choice as "the ability of persons with similar incomes to have the same housing choices regardless of race, color, religion, sex, age, national origin, familial status, or disability." The State adds sexual orientation to this list of protected classes. All state and local governments, particularly those that receive federal funds from HUD, are required to promote fair housing choice and to affirmatively further fair housing.

As part of the requirements for receiving HUD funds, DHCD is required to complete an Analysis of Impediments (AI) to Fair Housing Choice, as well as develop fair housing strategies to overcome any identified impediments in the non-entitlement areas. The State's entitlement jurisdictions - Anne Arundel, Baltimore, Harford, Howard, Montgomery, and Prince George's Counties, and the Cities of Annapolis, Baltimore, Bowie, Cumberland, Frederick, Gaithersburg, Hagerstown, and Salisbury – all receive funding directly from HUD and are required to prepare their own AIs.

DHCD conducted an extensive data analysis looking at possible impediments to fair housing choice starting in the Spring of 2009, and completed in the Spring of 2010. The Department examined Home Mortgage Disclosure Data (HMDA), census data to determine differences in housing need based on race, household size, and ethnicity; reviewed data affecting persons identified with Limited English Proficiency; examined its own lending practices including analysis of program beneficiary data for its single family and multi-family programs; and mapped projects against areas of minority and low-income concentration. DHCD also examined policies and procedures that could impact fair housing choice, including an examination of departmental operations. The programs reviewed included the Community Development Block Grant (CDBG), HOME Investments Partnership (HOME), federal Low-Income Housing Tax Credit (LIHTC) programs, and the Section 8 Housing Choice Voucher program. The Section 8 examination involved analyzing on-site monitoring procedures at apartment complexes the Department has financed, and reviewing fair housing requirements for programs operated by the Department, as well as policies on reasonable accomodation. Additionally, DHCD examined State policies and information of the Department of Health and Mental Hygiene (DHMH), Maryland Department of Planning (MDoP) and the Maryland Commission on Human Relations (MCHR) and received public input through a series of hearings, meetings, and a public comment period.

Based on the Department's analysis, it was determined that the State needs to focus its efforts for overcoming possible impediments on five areas: 1) fair housing education, 2) greater outreach to persons of Limited English Proficiency (LEP), 3) expanding affordable housing opportunities for low-income households, including persons with disabilities, 4) working with the federal government to improve data collection on areas such as mortgage lending and determining housing needs of persons with disabilities, and 5) increasing the supply of affordable and accessible housing.