



Affordable Housing Insights

Over the last several years, I have had the privilege of helping manage the risk of several organizations working to provide affordable housing options for low-income households. This experience has given me great insight into the unique aspects of this complex industry, as well as a passion to advocate for the organizations and individuals working in this space.

The Need for Affordable Housing is Increasing

Today's demand for rental properties of all types is unprecedented. According to a study by the Joint Center For Housing Studies of Harvard University, 37 percent of all U.S. households are now renters – the highest level since the mid-1960s. The study also reveals that the largest and fastest growing segment of the exploding rental market is comprised of households earning less than \$25,000 annually. And while the number of renter households rose 40 percent from 2003-2013, the number of low-cost rental units increased by just 10 percent. It is clear that the need for more affordable housing is great.

Affordable Housing Challenges

Affordable Housing developers face many challenges as they work to meet the increasingly staggering need across the country. The high cost of construction, lack of available land, and regulatory/policy issues make it a challenge to offer units at rent levels that are affordable for low-income renters.

Additionally, in many communities, negative public perceptions and backlash create barriers. Neighboring residents often fear that there will be a negative impact on property values as a result of affordable housing development. Time and time again, this notion has been proved wrong.

A report released in November 2016 by Trulia, concluded that affordable housing does not impact property values. The study examined home values before and after low-income housing projects were introduced into some of the most expensive housing markets in the country. The study analyzed over 3,000 projects from 1996-2006 and found that there was no significant impact on property values surrounding these projects, with just a few exceptions where there were both positive and negative effects on nearby property values.

Additionally, the National Association of Realtors says, "Most studies indicate that affordable housing has no long-term negative impact on surrounding home values. In fact, some research indicates the opposite."

Affordable Housing Improves Communities

According to the Harvard study referenced earlier, increasing affordable housing can result in better outcomes for parents and children in low-income families by giving them access to communities with quality schools, low crime rates and proximity to employment. Also, affordable housing developments in disadvantaged communities can encourage revitalization. Recent research focused on scattered-site affordable housing in West Philadelphia found that restoring houses as affordable units improved the surrounding neighborhood. Not only did the projects they studied improve property values, they also promoted diversity and stimulated further development and improvement in the area.

Affordable housing is more than just a business opportunity or investment for many in this industry. I have been honored to work with several great organizations that are rising to the challenge to build and maintain quality properties. The organizations – and the individuals behind them – are driven by a missional force to improve the quality of life and economic opportunities for their communities.

If your business works in the affordable housing industry or is considering affordable housing as an opportunity or investment, I'd love to discuss how I can help you manage the unique risks of this industry.

Written by Nathan Kerr

Nathan is Vice President and Branch Leader of Scott Insurance's Roanoke, Virginia office. He began his career with Scott in 2000 and started their Knoxville, Tennessee office in 2001 as a Commercial Risk Advisor. In 2011, Nathan became the Branch Leader of the Roanoke, VA office and leads the Affordable Housing Practice Group for Scott Insurance. As a property and casualty risk advisor, he works as an advocate, advisor, and broker to middle market companies with their risk management needs.

Call Nathan at **540-224-1774** if you have any questions or need any additional assistance.