

# Housing Prices and the Threat to Affordability

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## Introduction

Utah business and community leaders wisely pay close attention to housing affordability.<sup>1</sup> Since 1991 Utah housing prices have outpaced every state but Colorado, Oregon and Montana. The rate of housing price increases and challenges created by higher prices are on the minds of many decision-makers. Consequently, the Salt Lake Chamber, Utah's largest business association, contracted with the Kem C. Gardner Policy Institute to collect, organize, and review housing affordability data and produce the following report. Section one, of this report, documents the increase in housing prices in Utah and the Salt Lake Metropolitan Area, section two presents a discussion of the causes of Utah's rapidly rising prices, and section three assesses the threat to housing affordability of Utah's housing shortage and higher housing prices.

The key findings of the report are:

**Household income and affordability** - The challenges of housing affordability are closely linked to household income. For households below the median income high housing prices often jeopardize economic well-being and prevent homeownership while for most households above the median income, homeownership is still achievable, due primarily, to several years of historically low interest rates.<sup>2</sup> However, an increase in mortgage rates to 6 percent—a likely possibility in the next few years—would jeopardize homeownership opportunities for many households with incomes above the median and seriously reduce housing affordability in Utah.

**Housing price appreciation trends** - Over the past 26 years, a generation demographically, the average annual increase in housing prices has been 5.7 percent. If that rate of increase continues for the next 26 years, the median price of a home in the Salt Lake and Provo-Orem metropolitan areas would be \$1.3 million. Even when applying the real rate of increase (inflation adjusted) over the past 26 years of 3.32 percent, the median price would be

\$736,600. And if this real rate of increase is reduced by 50 percent to 1.7 percent the median price would still be \$483,000 in real dollars-equivalent to Seattle housing prices in 2017.

**Incomes not keeping pace** - Housing affordability in Utah, over the long-term, is threatened due to the gap between the annual real rate of increase in housing prices annually of 3.32 percent and the annual real rate of increase in household income of 0.36 percent. In Utah housing prices increase much faster than incomes consequently many households face high levels of housing cost burdens.

**Greatest challenge is households with income below the median** - The current affordable housing crisis in Utah is concentrated in households with income below the median. A household with income below the median has a one in five chance of a severe housing cost burden, paying at least 50 percent of their income toward housing, while a household with income above the median has a one in 130 chance. By another measure a household with income below the median is 32 times as likely to have a severe housing cost burden as a household with income above the median.

**Concern housing price increases could impact economic competitiveness** - Housing prices in Utah have not yet been a constraint to economic growth but there is cause for some concern. The median sale price of a home in Utah's two large metropolitan areas is already 20 percent higher than home prices in Boise, Las Vegas, and Phoenix; three cities Utah competes with for new business expansions. The housing price gap with these cities makes Utah's economic development efforts less competitive and the state less attractive as a business location.

**Policies of local government can help** - Many of the causes of housing price increases are beyond the control of policy makers. Labor shortages, Wasatch Front topogra-

phy, and material and labor costs are three of the most important causes unrelated to public policies. But one potential source of cost control is the policies and ordinances of local government. Those cities that adopt measures encouraging and supporting housing affordability will improve the overall prosperity, air quality, housing, and transportation cost not only for their cities, but for the region and the state.

### **Utah's High Rate of Growth in Housing Prices**

Since 1991 the increase in housing prices in Utah has ranked fourth highest in the U.S. Utah's housing prices have increased annually at a 4 percent growth rate compared to 1.5 percent nationally. The annual growth was derived from the change in the housing price index (1991 = 100) published by the Federal Housing Finance Agency (Figure 1). A simple example illustrates the remarkable increase in prices in Utah. At a 4 percent annual growth rate, the value of a \$125,000 home in Utah in 1991 increases to \$347,000 by 2017. At the national growth rate of 1.5 percent, the value of that same home increases to only \$184,000 by 2017.<sup>3</sup>

The rate of price increase is even higher for the Salt Lake Metropolitan Area (Salt Lake and Tooele counties). Since 1991 housing prices have increased at 4.5 percent annually. At this rate of growth the \$125,000 home has increased in value to \$393,000 by 2017.<sup>4</sup>

The median sales price of a home in the Salt Lake Metropolitan Area was \$315,100 in the fourth quarter of 2017, which ranks 24th highest among 177 metropolitan areas. In 2007, Salt Lake Metro's ranked 36th. Housing price increases in the Salt Lake Metro Area have clearly outpaced price increases in most other metropolitan areas.<sup>5</sup>

#### *What's Driving-Up Housing Prices in Utah?*

The causes for the rapid increase in housing price are divided into two categories. The first includes a number of factors that have a direct impact on the price of an individual home and includes permit and impact fees, development costs, construction costs, and land and labor costs. The second category includes the broad overall market conditions—strong demographic and economic growth—that have created a housing shortage, thus putting upward pressure on prices.

*Increase in Permit and Impact Fees* – A permit and impact fee survey of 18 high-volume home-building cities was conducted to determine the increase in fees from 2007 to 2017.<sup>6</sup> The overall median cost of fees for the 18 cities in 2007 was \$12,157. In 2017, the median cost of fees was \$15,265, an increase of 26 percent in 10 years. The survey

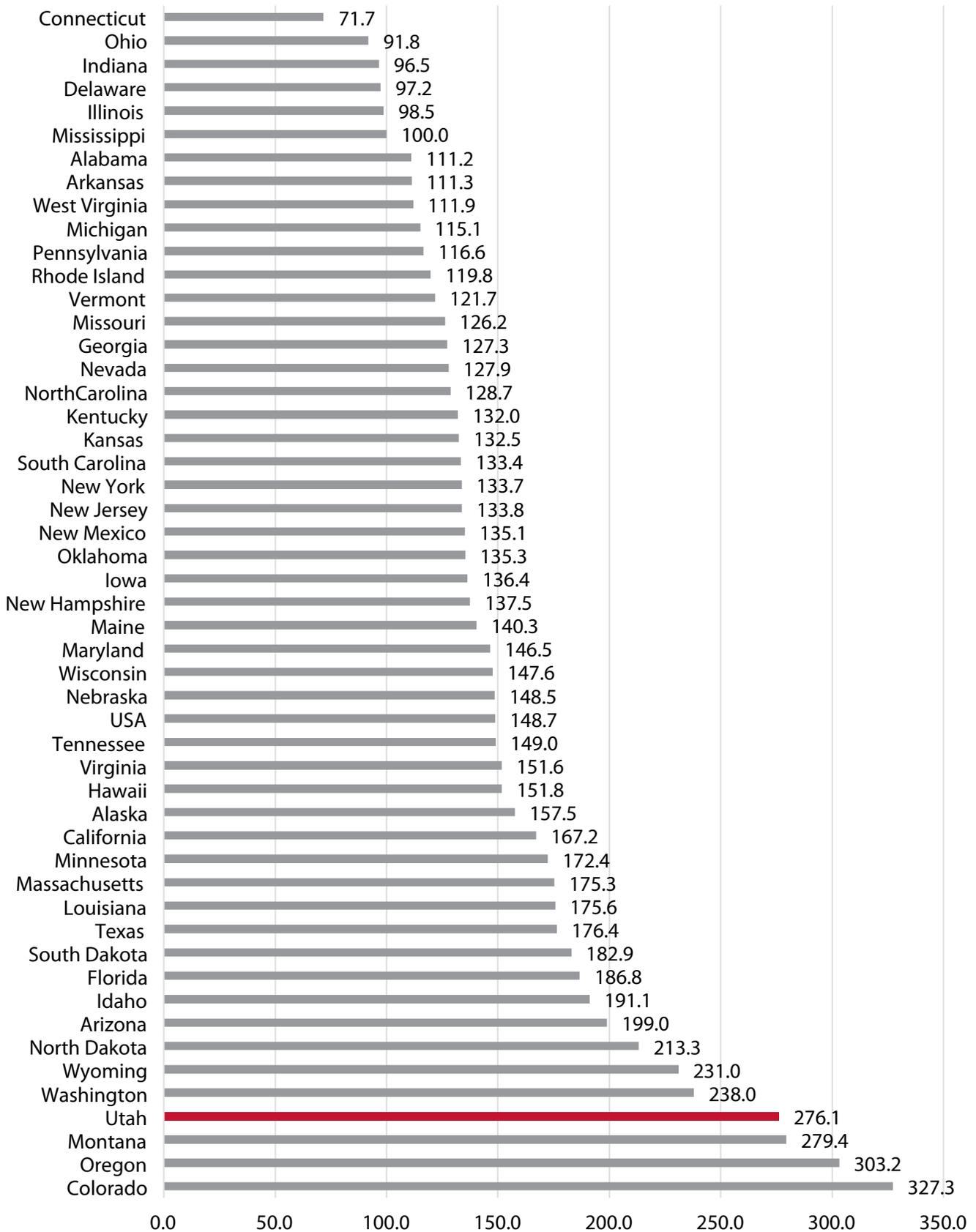
provided information on permit and impact fees for 576 homes in 2007 and 183 homes in 2017 in the 18 cities. As closely as possible the fee information represents data from similar homes in the same or similar subdivisions for the two points in time, 2007 and 2017. Consequently, the number of homes surveyed in 2017 is lower than 2007. The median cost of fees was calculated from all the observations in the two respective years. The fees survey included impact fees, plan check fees, building permit fees, and other fees specific to the municipality. The impact fees consist of water, sewer, storm water, police, fire, and park fees. Other fees included plumbing, electric, mechanical, grading, and special service district fees.<sup>7</sup>

*Land Development Costs* – The cost of land development reflects, in part, soil quality and the topography of the land. As the supply of developable land declines the remaining land is often more difficult and costly to develop. Excavation problems, engineering issues such as grading or wetlands, and poor soil characteristics likely drive up costs on much of the remaining developable land. This is particularly the case in Salt Lake, Davis, and Weber counties. These associated land development costs, along with increases in material cost, have pushed the development cost of a building lot up by 40 percent in 10 years. For a major Utah home builder the average overall development cost for a building lot was \$37,000 in 2007. By 2017, the cost had increased to \$52,000.<sup>8</sup>

*Increases in Development Costs and Fees* – In 2007, the land development costs and fees for a building lot averaged \$49,150. By 2017, these costs and fees had increased by 37 percent to \$67,265 (\$15,265 in fees and \$52,000 in land development costs). In 2017 land development cost and fees represent about 20 percent of the cost of a new home.<sup>9</sup>

*Construction Costs Including Labor Costs* – There are no local construction cost indices; however, the U.S. Census Bureau Price Deflator Index for new single family houses under construction shows that in the past three years construction cost for new homes have increased by 12 percent nationally. This price deflator includes labor costs and reflects the upward pressure on new housing prices created by the shortage of construction workers. Given Utah's rapid economic and demographic growth, it is likely that material and labor costs in Utah are increasing at a more rapid pace than the national average. And like the nation, residential construction costs in Utah are increasing much faster than the cost of most consumer items as measure by the Consumer Price Index (CPI). Over the past three years, the CPI nationally has increased by only 2.8 percent compared to 12 percent for the construction cost deflator.<sup>10</sup>

**Figure 1: Percent Change in Housing Price Index by State – Purchase Only  
1991 to third quarter 2017**



Source: Federal Housing Finance Agency.

*Land Costs* – The cost of land for residential development is one of the most difficult to measure. There is no local source for land prices. Residential land is often purchased in large tracts and privately negotiated between the landowner and the developer. Real estate brokers are not involved and the terms of the sale are not disclosed. A number of builders attribute an important share of the increase in housing prices to rising land prices, but exactly how much land prices have increased housing costs has not been determined.

*Topography of Wasatch Front Counties*–The Wasatch mountains to the east and the Oquirrh mountains to the west limit the availability of developable land in Salt Lake County. In Davis and Weber counties, the Great Salt Lake on the west and the Wasatch mountains on the east limit developable land. These topographical features are a cost factor in new residential development, particularly in Salt Lake County. Limited land availability results in higher land and housing costs for new development.

*Local Zoning Ordinances and Nimbyism*–Two related topics should be mentioned that are beyond the scope of this report but do have long-term impacts on housing prices: zoning ordinances and Nimbyism (not-in-my-backyard). Zoning ordinances determine density, the spatial distribution of housing types (renter versus owner), construction material standards, as well as regulatory requirements that can increase housing prices and cause development delays. In addition, local opposition (Nimbyism) has driven up costs and constrained supply, particularly for affordable high density rental housing.

*Exceptional Demographic and Economic Growth Boosts Housing Demand* – Since 2010, Utah has ranked first among all states in the rate of demographic and economic growth. From 2010 to 2016 the population of Utah has increased at an annual rate of 2.03 percent, just ahead of Nevada (1.95 percent) and Florida (1.82 percent) (Map 1). Utah’s lead in employment growth rate is even more pronounced. Over the six year period, the number of jobs in Utah increased by 20.7 percent far ahead of the 16.9 percent for the two second ranked states of Colorado and Florida (Map 2). Rapidly rising housing prices are an inevitable consequence of Utah’s high rates of population and job growth. Increased numbers of people and jobs boosts demand for housing.<sup>11</sup>

*Utah’s Housing Shortage: Demand Outstrips Supply* – The demand for housing is driven by changes in the number of households. Each additional household generates demand for an additional housing unit. For decades this re-

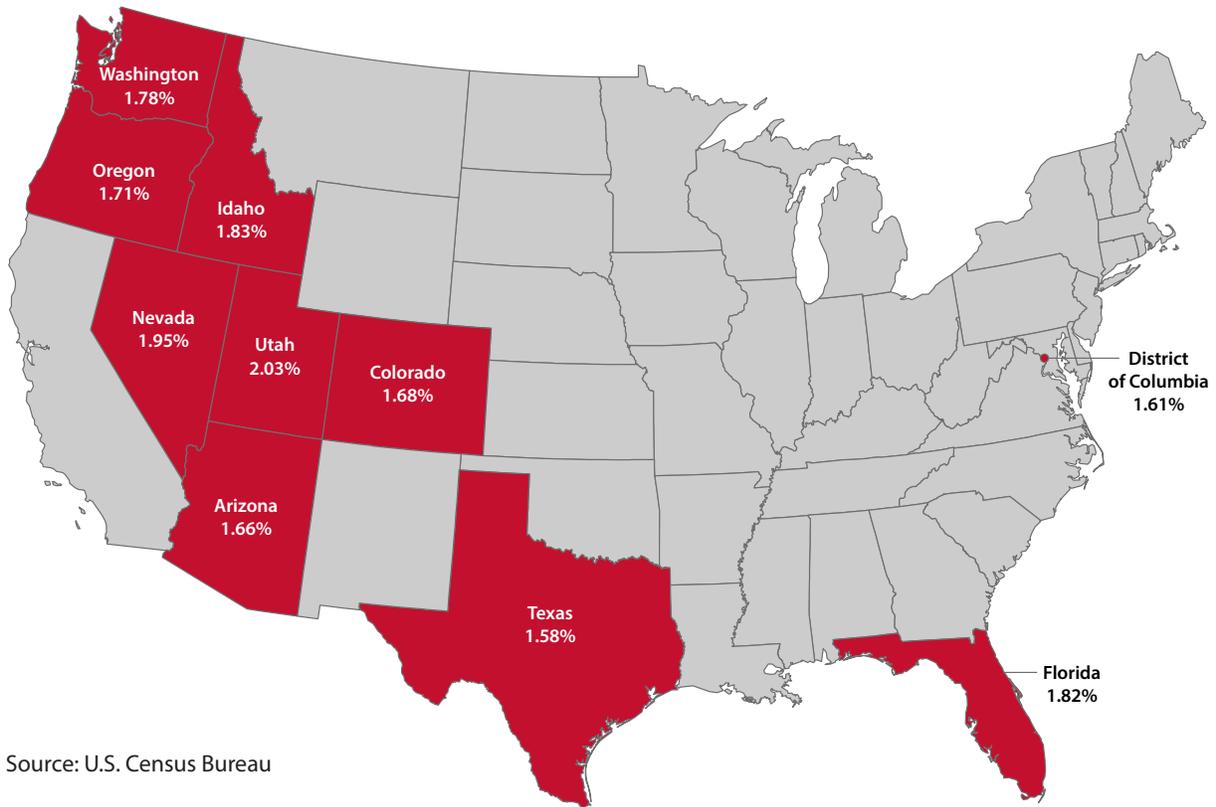
lationship between housing units and households has been predictable; the increase in housing units exceeds the increase in households by about 10 percent over any 10 year period (Figure 2). The difference is due to second homes and changes in vacancy rates. However, since 2010 this relationship has flipped with the annual increase in households exceeding the increase in housing units by more than 10 percent. For example, in 2017 the number of households in Utah increased by 28,000, but the number of new housing units increased by only 23,500 units. This gap between household growth (housing demand) and new housing units (housing supply) has created a shortage of housing. This shortage is a leading cause of the rapidly rising housing prices in Utah.<sup>12</sup>

*Market Conditions Confirm Shortage* – A household is limited to three points of entry into the housing market. A household can rent, buy a new home, or buy an existing home. Each point of entry shows market stress signaling a housing shortage. Rental vacancy rates in all major housing markets are below 5 percent and in many markets below 4 percent despite record levels on apartment construction (Table 1). The new home market is at an all-time low in terms of unsold completed homes with less than a 30-day supply (Table 2). And the existing home market is constrained by lack of listings-buyers outnumber sellers. In 2017, the “median days on market” before a home sold was only 15 days for the Wasatch Front counties.<sup>13</sup>

### **Assessing the Threat of Rising Prices to Affordability**

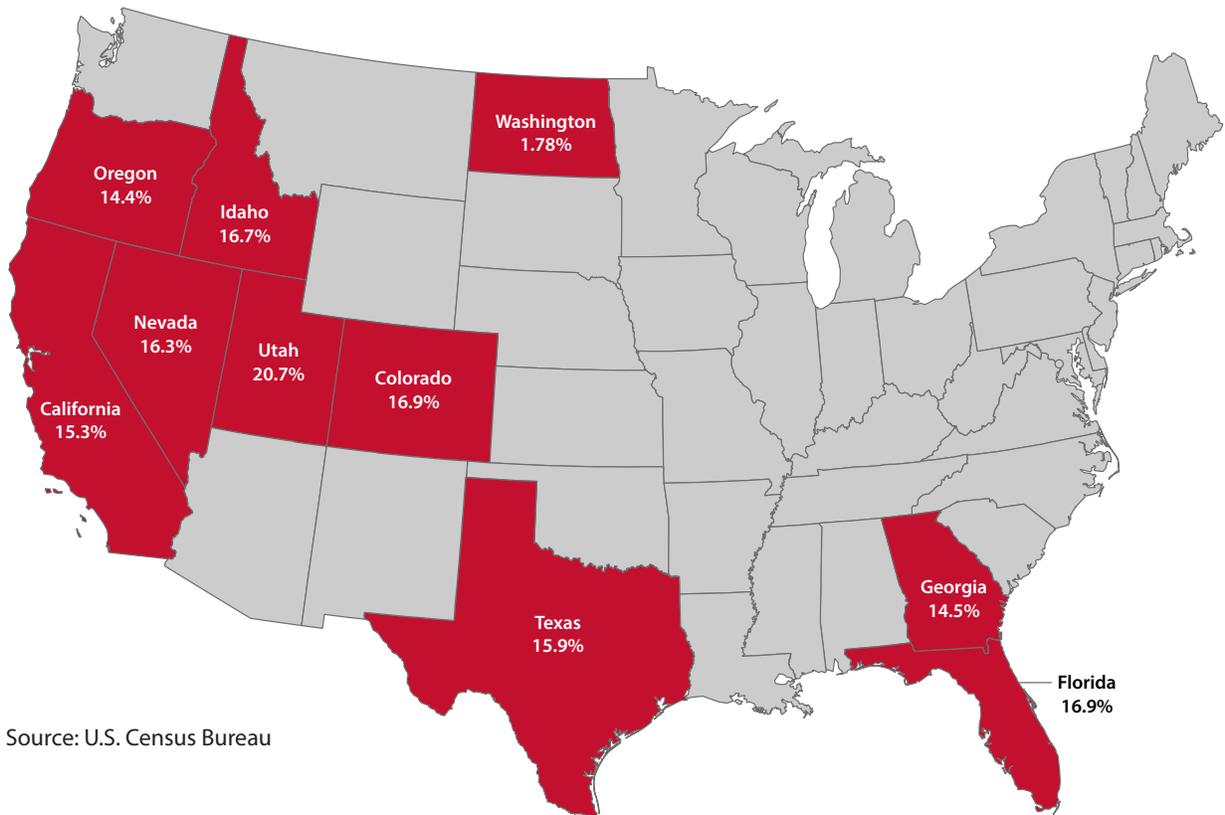
*Measuring Affordability for Homeownership* – There are two approaches to measuring homeownership affordability. One approach considers whether a particular housing unit would be affordable to the prospective median income homebuyer. The second approach considers whether the cost of the home is affordable to the current occupant of the home or rental unit. Affordability in this case is measured by housing cost burden of the current occupant.

**Map 1: Top Ten States in Average Annual Growth Rate of Population, 2010 - 2016**



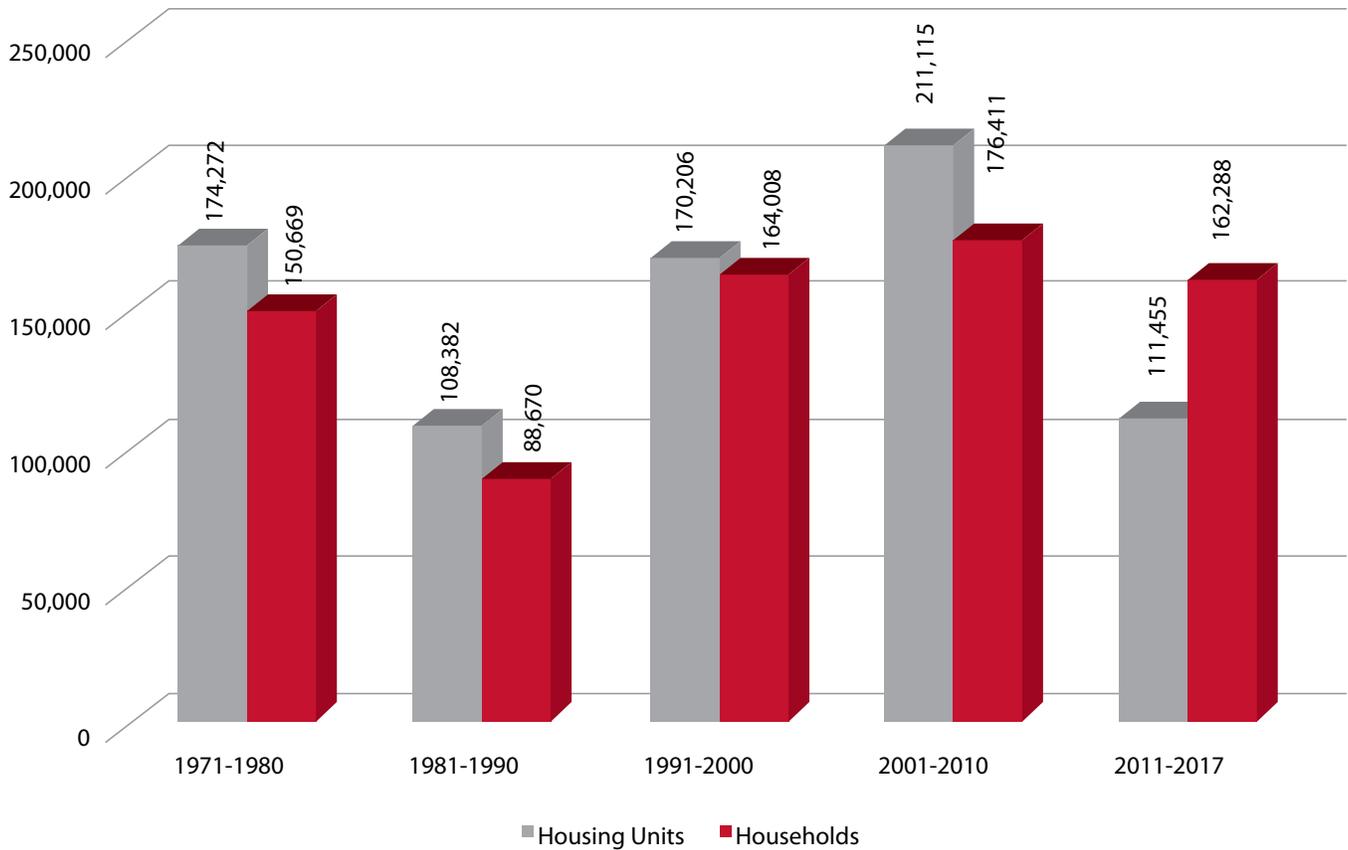
Source: U.S. Census Bureau

**Map 2: Top Ten States in Percent Increase in Nonagricultural Jobs, 2010 - 2016**



Source: U.S. Census Bureau

**Figure 2: Increase in Households Compared to Increase in Housing Units for Utah**



Source: U.S. Census Bureau and Ivory-Boyer Construction Database.

**Table 1: Rental Vacancy Rates for Wasatch Front Counties**

	Davis	Salt Lake	Utah	Weber
2005	9.7%	6.1%	8.7%	9.2%
2006	7.4%	4.0%	7.1%	6.5%
2007	5.7%	3.2%	3.8%	6.3%
2008	4.6%	4.6%	3.6%	7.0%
2009	5.9%	7.2%	5.7%	9.0%
2010	8.0%	5.7%	7.0%	6.9%
2011	5.1%	5.2%	5.5%	6.7%
2012	5.8%	3.8%	5.0%	6.1%
2013	6.6%	3.9%	3.2%	7.0%
2014	4.6%	3.0%	4.4%	4.9%
2015	4.5%	2.7%	3.6%	4.0%
2016	4.5%	2.9%	3.4%	3.5%
2017	4.0%	2.6%	4.2%	2.4%

Source: Cushman & Wakefield, Commerce Real Estate Solutions (Salt Lake County), CBRE and Equimark (Davis, Utah, and Weber counties).

**Table 2: Number of Months Supply of Finished Vacant Inventory of New Homes in Utah (Fourth Quarter)**

	Months Supply
2006	1.7
2007	3.4
2008	3.9
2009	3.3
2010	3.3
2011	3.7
2012	2.2
2013	1.6
2014	2.0
2015	1.4
2016	1.0
2017	0.9

Source: Metro Study Utah Database.

This report uses three measures of affordability for the prospective homeowner: the Median Multiple, the Housing Opportunity Index for existing homes, and the Housing Opportunity Index for new homes.

(1) The Median Multiple is a widely used method for evaluating housing affordability. The measure is used by the World Bank, the United Nations and Harvard's Joint Center for Housing Studies. The Median Multiple is the ratio of the median home price to the median household income. For example in Salt Lake County in 2016 the median sales price of a home was \$295,000 and median household income was \$68,665 for a median multiple of 4.3. A median multiple of less than four indicates an affordable housing market. As the multiple increases above four the housing market becomes less affordable. Most of the high growth metropolitan areas in California have multiples between nine and ten. Seattle has a multiple of 5.9; Denver 5.7; Portland 5.5; and Phoenix 4.2—about the same as Salt Lake.<sup>14</sup>

Since 2000, the Median Multiples for each of the four Wasatch Front counties have increased. Salt Lake County's multiple has increased from 3.1 in 2000 to 4.3 in 2016 (Table 3). Utah County's multiple increased from 3.27 to 4.08. Davis and Weber Counties' multiples in 2016 are below 4.0 indicating more affordable housing markets.

(2) The Housing Opportunity Index (HOI) for existing homes is defined as the share of homes sold in a metropolitan area that were affordable to the median income household. An index score of 50 means that half of all homes sold in the area were affordable to the median income household. In this case housing affordability is in equilibrium or balanced. An HOI above 50 indicates greater affordability whereas an index below 50 indicates less affordability. The HOIs for Utah's four Wasatch Front counties in 2017 were: Salt Lake, 50.4; Davis, 70.7; Utah, 61.1; and Weber, 74.5 (Table 4).<sup>15</sup>

(3) The Housing Opportunity Index for new homes is defined as the share of new homes sold in a county that were affordable to the median income household in 2016. In Salt Lake County 30 percent of new homes were affordable to the median income household, in Utah County 35 percent; in Davis County, 36 percent; and in Weber County, 28 percent. While these HOIs are well below the index of 50, they do indicate a surprising number of new home opportunities for the median income households.<sup>16</sup>

*Homeownership and the Paradox of Housing Affordability*—Common measures of affordability show a relatively high degree of housing affordability in Utah in 2017. This para-

dox—affordability coexisting with rapidly rising prices—is due in large part to the historic low mortgage rates. To the great advantage of homebuyers, mortgage rates have been below 5 percent for the past eight years. However, if the mortgage rate was six percent in 2017 rather than 4 percent, the affordability index in Salt Lake County would drop from the 50.4 to 26.6, in Davis County from 70.7 to 44.2, in Utah County from 61.1 to 32.0, and in Weber County from 74.5 to 53.7. With the exception of Weber County, low interest rates have been the difference between an affordable and an unaffordable housing market. Higher interest rates at the 6 percent level would significantly reduce housing affordability for prospective homeowners.<sup>17</sup>

*Affordability of Rental Housing* – As measures of affordability, the Median Multiple and HOI are not applicable to the rental market. Instead rental rates in eight western states were compared to get a sense of rental housing costs. The median gross rents (includes utilities) in eight western states shows that Utah's median gross rent of \$954 is the second lowest among the selected states (Table 5). The U.S. median is \$981. Since 2005, the average annual increase in the median gross rental rate has been 3.3 percent in Utah, which is consistent with other western states and moderately higher than the national growth rate of 2.7 percent.<sup>18</sup> Compared to other metropolitan areas in the west, gross rents for the Salt Lake and Provo-Orem metropolitan areas are consistent with Las Vegas and Phoenix but higher than rents in Boise and lower than rents in Denver (Table 6.)

**Table 3: Change in the Median Multiples for Wasatch Front Counties**

	Median Household Income 2000	Median Sales Price 2000	Median Multiple 2000	Median Household Income 2016	Median Sales Price 2016	Median Multiple 2016
Davis	\$53,726	\$146,000	2.72	\$76,905	\$264,000	3.43
Salt Lake	\$48,373	\$150,000	3.10	\$68,665	\$295,000	4.30
Utah	\$45,833	\$149,910	3.27	\$69,799	\$285,000	4.08
Weber	\$44,014	\$117,372	2.67	\$63,158	\$198,000	3.13

Source: U.S. Census Bureau, American Community Survey 2016 Table S1903, Median Income in the Past 12 Months, and UtahRealEstate.com.

**Table 4: Number of Housing Units Sold Affordable to Median Income Household, 2017 (single family, condominium, townhomes)**

	Units Affordable to Median Income Household	Total Units Sold	Percent Affordable
Davis	3,735	5,284	70.7%
Salt Lake	9,037	17,853	50.6%
Utah	5,583	9,137	61.1%
Weber	3,421	4,593	74.5%

Source: UtahRealEstate.com

**Table 5: Median Gross Rents for Selected States**

	Median Gross Rent
Arizona	\$976
California	\$1,375
Colorado	\$1,171
Idaho	\$790
Nevada	\$1,003
Oregon	\$1,015
Utah	\$954
Washington	\$1,135

Source: U.S. Census Bureau, American Community Survey, Table 25064 Median Gross Rent.

Affordability for renters was also reviewed using data for current renters rather than prospective renters. The annual median gross rent was compared to the annual income of the median income renter. Since 2005, the percent renter income devoted to housing costs in the Wasatch Front Counties has been very stable at around 30 percent. This percentage reflects an affordable market, at least for the median income household, with the typical renter household devoting about 30 percent of their income to housing and utility costs.<sup>19</sup>

**Table 6: Median Gross Rents for Selected Metropolitan Areas**

	2013	2016	Annual Growth Rate
Boise	\$799	\$842	1.8%
Provo-Orem	\$862	\$916	2.0%
St. George	\$938	\$964	0.9%
Salt Lake City	\$893	\$967	2.7%
Phoenix-Mesa	\$944	\$989	1.6%
Las Vegas	\$1,019	\$1,013	-0.2%
Denver-Aurora-Lakewood	\$962	\$1,119	5.2%

Source: U.S. Census Bureau, American Community Survey, Table B25064, Median Gross Rent.

*Severe Housing Cost Burden* – The U.S. Department of Housing and Urban Development’s Comprehensive Housing Affordability Strategy (CHAS) provides data on the housing cost burden of current owners and renters. Housing cost burden is divided into two groups: (1) households whose housing costs (including utilities) exceeds 30 percent of their monthly income and (2) households whose housing costs (including utilities) exceeds 50 percent of their monthly income. These households at the 50 percent burden face severe housing cost burdens. Of the slightly more than one million households in Utah, one in three face a housing cost burden of at least 30 percent and one in eight--125,000 households--face a severe cost burden.<sup>20</sup>

*Severe Housing Cost Burden of Households with Income at or Below the Median* – Ninety-seven percent of the households in Utah with a severe housing cost burden have household income below the median of \$66,000. Sixty-one percent (74,200 households) of these households are renters and 39 percent (47,500 households) are owners.<sup>21</sup>

**Table 7: Percent of All Households with Severe Housing Cost Burden by Income in Utah**

Households % of Median Income	Households with Severe Cost Burden	Total Households	% with Severe Cost Burden
All Households Below the Median			
<30%	60,570	95,490	63.4%
30%=<50%	27,995	99,805	28.0%
51%=<80%	13,265	165,660	8.0%
81%=<100%	3,315	106,935	3.1%
Total	105,145	467,890	22.5%
All Households Above the Median Income			
>100%	3,290	428,305	0.08%

Source: HUD Comprehensive Housing Affordability Strategy (CHAS), <https://www.huduser.gov/portal/datasets/cp.html#2006-2014>

**Table 8: Percent of Renter Households with Severe Housing Cost Burden by Income in Utah**

Households % of Median Income	Households with Severe Cost Burden	Total Households	% with Severe Cost Burden
Households Below the Median			
<30%	41,360	62,315	66.4%
30%=<50%	13,200	52,335	25.2%
51%=<80%	2,240	63,975	3.5%
81%=<100%	295	29,120	1.0%
Total	57,095	207,745	27.5%
Households Above the Median Income			
>100%	310	63,840	0.05%

Source: HUD Comprehensive Housing Affordability Strategy (CHAS), <https://www.huduser.gov/portal/datasets/cp.html#2006-2014>

A household with income below the median has a one in five chance of a severe housing cost burden while a household with income above the median has a one in 130 chance. Furthermore, a household with income below the median is 32 times as likely to have a severe housing cost burden as a household with income above the median (Table 7).<sup>22</sup>

A renter household with income below the median has more than a one in four chance of a severe housing cost burden while a renter household with income above the median has a one in 200 chance (Table 8).

*Severe Housing Cost Burden of Households with Incomes at or below 50 Percent of the Median*—There are 260,000 households in Utah with incomes at half the median income (\$33,000). Nearly forty percent (100,000 households) have severe housing cost burdens. A household with an income at half the median has a 40 percent chance of a severe housing cost burden.<sup>23</sup>

### Summary Findings

#### *What is the outlook for housing prices in Utah?*

Housing prices in Utah will continue to increase at rates well above the national average due to relatively high rates of demographic and economic growth, but the threat to affordability from rising prices may be secondary to increasing interest rates, which could significantly reduce housing affordability and homeownership opportunities for a large share of Utah households.

#### *What is the outlook for Utah's housing shortage?*

Given the size of the current housing shortfall and the expected increase in households, it is likely the housing shortage will persist over the next three to four years.

#### *How serious is the threat to affordability from rising rents and home prices?*

Households near or below the median income face the greatest threat by far from rising home prices and rental

rates. These households include recently hired teachers, police officers, fire fighters, and nurses. For those in these occupations, two incomes and ten-years of job experience are necessary for homeownership.

Over 125,000 households in Utah are currently facing severe housing cost burdens. An increase in rental rates threatens their economic well-being and increases their chances of eviction and homelessness. Additionally, increasing home prices can limit, if not exclude, homeownership opportunities for households below the median income, relegating them to the rental market without the opportunity for the wealth creation of homeownership. For households above the median income rising home prices create difficult decision and tradeoffs for prospective homebuyers, but generally do not exclude them from all homeownership opportunities.

#### *What about affordability in the long-term?*

If housing prices and household incomes in Utah increases at the same rate as the past 26 years, housing affordability in 2044 would be equivalent to today's San Francisco market. The median sales price of home would be more than \$700,000 (inflation adjusted). Even if the increase in housing prices is half the historic real rate of 3.3 percent, housing affordability in the Salt Lake and Provo-Orem metropolitan areas would be worse in 2044 than today's Seattle market.

The projected decline in affordability in the Salt Lake and Provo-Orem metropolitan is a result of the historic gap between the annual real rate of increase in household income of 0.36 percent and the annual real rate of increase in the median sales price of a home of 3.3 percent. Historically housing prices have risen much faster than incomes in Utah. Over the past nine years, the negative effects of this gap in growth between household income and housing prices has been mostly concealed by low interest rates. But with such a large gap it won't take long, in an environment of higher interest rates, for the Utah housing market to reach harmful levels of affordability that will exclude much larger numbers of households from homeownership.

#### *How serious is the affordable housing issue?*

Despite the presence of 11,000 HUD Section 8 Housing Choice Vouchers and 24,000 tax credit rental units there is a large shortfall of affordable rental housing in Utah. Seventy-five thousand renter households have incomes below the median and have no rental assistance and face severe housing cost burdens. Many of these households face an affordable housing crisis.

#### *What role have land development costs and local municipal fees played in higher housing costs?*

From 2007 to 2017 development costs for a building lot increased from \$37,000 to \$52,000. The \$15,000 increase in development costs represents one quarter of the 10 year increase in construction cost—\$180,000 to \$240,000—for the typical 2,000 square foot home. Permit and impact fees play a lesser role in the increase in new home prices. The median cost for permit and impact fees for the 18 rapidly growing cities surveyed show that these fees increased from \$12,157 in 2007 to \$15,265 in 2017.<sup>24</sup>

#### *Do increasing housing prices threaten Utah's economic growth?*

No, not at this point. Utah's recent economic growth has been exceptional. Judging from the data on the median multiple the Wasatch Front counties have a housing price advantage over most west coast cities from Seattle to San Diego as well as Denver and Reno. However, housing prices in the Salt Lake and Provo-Orem metropolitan areas are 20 percent higher than Boise, Las Vegas, and Phoenix; three cities Utah competes with for new business expansions. The housing price gap with these cities makes Utah's economic development efforts less competitive and the state less attractive as a business location.

### **Policy Considerations**

- Support three bills in 2018 Utah Legislative Session; HB 464 (creates \$100 million bond for affordable housing), HB 430 (creates an affordable housing commission), HB250 (strengthens affordable housing element of jurisdiction's general plan.)
- Some municipal measures to help mitigate the shortage of affordable housing include but are not limited to the following:
  - Waive or reduce fees for affordable housing.
  - Adopt inclusionary zoning ordinance that provides wide range of housing types and prices.
  - Adopt accessory dwelling unit ordinance.
  - Exercise restraint in impact and permit fee increases.
  - Change building codes to encourage more affordable housing.
  - Explore new funding models: public/private partnerships, and RDA and EDA set-asides for affordable housing.
  - Facilitate in-fill development.
  - Target a greater share of TOD mixed-used projects for very low income households (≤50% area median income.)
  - Study best practices. Many cities are addressing the affordable housing crisis in a number of creative ways.

## Glossary

**Affordable housing:** An affordable housing unit is defined as a unit in which an owner or tenant pays no more than 30 percent of their household income toward housing costs. The term is often used to refer to affordable housing for low, very low, and extremely low income groups. Affordable is an adjective modifying housing.

**Cost burden:** Housing practitioners, financial institutions, and U.S. Department of Housing and Urban Development have long used the 30 percent rule to determine affordability. A household that pays 30 percent or more of their income on housing costs is considered to be cost burdened. A household that pays 50 percent or more of their income on housing costs is considered severely cost burdened.

**Housing affordability:** A term referring to the general level of housing prices for all income groups. The word affordability is used as a noun.

**Median household income:** The midpoint of the distribution of the income for all households in a geographic area. The median household income is estimated for geographic areas by U.S. Census Bureau. For the analysis in this report median income generally refers to the state or county median household income.

## Endnotes

1. An affordable housing unit is defined, by housing practitioners, as a unit in which an owner or tenant pays no more than 30 percent of their household income toward housing costs.
2. The median income in Utah in 2016 was \$65,977.
3. Federal Housing Finance Agency's housing price index.
4. Ibid.
5. National Association of Realtors, Quarterly Median Sales Price of Homes 1991-2017.
6. 18 high-volume cities include: Clearfield, Draper, Farmington, Heber, Highland, Kaysville, Layton, Lehi, Lindon, Orem, Riverton, Salt Lake City, Sandy, Spanish Fork, Syracuse, Taylorsville, West Haven, and West Valley City.
7. Survey of selected cities by Kem C. Gardner Policy Institute.
8. Survey of Ivory Homes development costs.
9. Survey of selected cities by Kem C. Gardner Policy Institute and Ivory Homes.
10. U.S. Census Bureau, Price Deflator Index for New Homes Under Construction.
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