

# OVERCOMING BARRIERS TO AFFORDABLE HOMEOWNERSHIP IN THE HUDSON VALLEY AND BEYOND



January 2023

On November 30, 2022, Pattern for Progress hosted the annual conference of its Center for Housing Solutions. The conference harnessed the energy and diversity of more than 100 experienced practitioners and policymakers from across the region gathered in one place. The program culminated with a two-hour brainstorming session that challenged the region to identify solutions to the systemic barriers that prevent too many of our neighbors from owning a home and building equity.

The thoughtful recommendations of this group will inform Pattern's research and policy work in 2023 and beyond. Coincidentally, these recommendations align closely with Gov. Hochul's 2023 proposal for a statewide housing compact to require and incentivize the construction of more housing in the next several years. Pattern believes that the recommendations from our regional stakeholders can help New York unlock the potential of its investments in housing by specifically increasing access to affordable and stable homeownership, which yields better outcomes for health, education, wellbeing, and quality of life overall.

Some of our counties and local municipalities are already working toward viable and affordable alternatives to the traditional model of homeownership. Diversifying what homeownership looks like is critical as the route to owning a single-family home is becoming increasingly unaffordable for many residents, and as the wealth gap between renters and owners expands. Our state legislators and administrators can work to amplify existing efforts on a larger scale.

This publication outlines four key impediments to homeownership identified by our group in the Hudson Valley, followed by six strategies for policy solutions to help overcome these barriers.

HUDSON VALLEY **PATTERN** *for* **PROGRESS**

# FOUR KEY IMPEDIMENTS TO EQUITY IN HOMEOWNERSHIP

## 1: Socioeconomic and Racial Disparities:

Household incomes are insufficient to cover the general costs of living, including costs related to purchasing and maintaining a home. Barriers to economic stability, homeownership, and equity-building opportunities are greater among racial and ethnic minorities, largely due to lasting impacts of historic and current discriminatory housing policies. Check out our Out of Reach Report (2022). [\[link\]](#)

## 2: Property Taxation Mechanisms:

Property taxes make homeownership unattainable for many prospective homebuyers and unsustainable for some homeowners. Because local governments rely mostly on property tax for revenue, they are often unsupportive of homeownership alternatives that are more affordable (e.g. condominiums, coops, community land trusts, etc.) or property tax relief options that affect the tax levy. For more details, check out Pattern's recent study on the impacts of property tax on equity and affordability in collaboration with Columbia County Habitat for Humanity. [\[link\]](#)

## 3. Land Use, Zoning, and Building Codes:

Most zoning and building codes incentivize and protect a singular path to homeownership by favoring single-family homes and relatively large lots, which increase the cost of ownership due to high land costs. Building codes lack support for sustainable building materials that stray from common practice or represent emerging methods, although these materials can reduce construction costs. Lengthy and costly local planning review processes can deter development altogether, especially when it comes to projects that offer alternatives to the status quo.

## 4. Local Resistance and Lack of Capacity:

Municipalities are often reluctant to initiate changes to existing policies, thereby stifling new, diverse, and affordable development. This reluctance is often because of NIMBYism and a desire to keep newcomers out, but it is also caused by a lack of capacity to plan proactively and creatively. There is a need to balance Home Rule autonomy for local governments with statewide housing targets and technical assistance support.

# SIX KEY STRATEGIES FOR SYSTEMIC INTERVENTION

## 1: Balance Regional Needs and Local Autonomy

The four impediments identified above are difficult for state government to overcome due to Home Rule, which limits state involvement in local affairs. The primary advantage of Home Rule is that local governments are granted the autonomy to govern in ways that reflect the unique needs of their communities. In this way, Home Rule can empower local governments to be more responsive to their constituents. On the other hand, Home Rule also allows local governments to avoid collaboration around regional interests.

How do we address affordability and equity issues statewide while still honoring local autonomy for communities to shape their own future? The Home Rule system allows local governments in New York State to pursue legislative action as long as said action does not oppose state or federal law. Accordingly, in order to address broader regional challenges such as affordable housing, equity, and homeownership, there is a need for legislation that binds municipalities to statewide values and priorities. To encourage local governments to initiate efforts on behalf of broader equity and affordability, New York State government could:

- Offer incentives for collaboration across municipal borders on housing plans and tax agreements.
- For municipalities to qualify for any state aid, require them to have a housing plan that includes legitimate opportunities for affordable homeownership at various price points.
- Establish a regional technical assistance office and fund regional planning efforts to assist municipalities that do not have the capacity to create their own housing plans.
- Consider requiring local governments to create housing plans that meet certain targets of affordable housing, including homeownership and shared equity opportunities.

## 2: Make Property Tax a More Progressive Tax

Unlike income tax, property tax does not reflect a taxpayer's ability to pay. Instead, it reflects the potential sale price (market value) of a property. As property taxes increase along with rising home values, mortgage access decreases, such that most prospective homebuyers in New York can no longer afford to purchase homes, and the wealth gap between renters and owners continues to widen.

Because of heavy municipal reliance on property tax as revenue, local governments compete over prospective residents who can pay more in taxes, and often fear that low-income and affordable housing will have negative ramifications on the tax levy. To address this challenge, New York State could:

- **Codify property tax concessions more uniformly, such that assessors and municipalities have clearer guidance for tax relief for cost-burdened households or subsidized homebuyers.**
- **Incentivize local governments to adopt income-adjusted property tax relief and offer reimbursement for loss of municipal revenue due to relief initiatives.**
- **As with any resource in a time of limited supply, introduce a tax on excess property, such as second and third homes that are mostly vacant. Dedicate the revenue from this tax to a statewide Housing Trust Fund.**
- **Adopt policies to reflect a homeowner's income and ability to pay in property tax assessments. This type of initiative would reduce foreclosures and increase housing stability especially in times of crisis and inflation.**
- **Uncouple school funding from property tax and acknowledge the negative ramifications of a system in which education outcomes are linked to property values and, therefore, income levels.**

### 3: Infuse Sustainability and Affordability into Zoning and Building

Municipal zoning and building codes limit development, such that supply is not meeting demand. This is often due to lack of municipal capacity to engage in comprehensive planning or legislative efforts but can also occur because of NIMBYism on a local level. Our local governments sometimes fail to understand that zoning must encourage and allow for a full spectrum of housing for our communities to thrive and to retain a workforce.

Although Home Rule prevents state government from getting heavily involved in local zoning initiatives, New York State is starting to explore statewide zoning allowances to reduce bureaucratic red tape, as indicated in the Governor's address. Along these lines, New York State could:

- **Create templates for updated zoning and building codes that local governments can easily adopt. These may include lot sizes and setbacks in accordance with infrastructure limitations or Department of Health requirements, rather than traditional zoning standards that have land requirements that increase the housing costs. Building code should support use of sustainable, local materials, which lower material and maintenance costs.**
- **Offer tax incentives for the life cycle of sustainable materials, workforce and economic development impacts, energy efficiencies, health benefits, and other factors that drive down long-term costs of housing.**
- **Incentivize zoning that reduces barriers for developers aiming to provide multi-family homeownership opportunities such as limited-equity cooperatives, condominiums, and land trust ownership structures.**
- **Offer municipal support in lieu of any documented loss in property tax revenue due to income-based tax relief.**

## 4: Legislate Restorative and Equitable Funding and Lending

Homeownership rates differ by approximately 20% between White and non-White communities in New York State due to historically discriminatory financial policies. Although the Community Reinvestment Act (CRA) aims to rectify these disparities, mortgage access continues to differ greatly across demographic groups. To increase homeownership rates in disadvantaged communities, New York State could:

- **Simplify, clarify, and expand state-monitored lending guidelines in communities that have historically been treated unfairly by lenders, or that continue to suffer from long-term impacts of previous discriminatory and predatory lending.**
- **Reduce down payment requirements and evaluate other mortgage practices based on their impacts on homeownership affordability.**
- **Continue to work toward equitable, standardized, and transparent mortgage accrediting practices. Allow banks less discrepancy in their lending. Simplify red tape and bureaucracy to increase access to loans.**
- **Impose clear and uniform standards for the evaluation of mortgage applications. Include alternatives to credit scores, such as rent or utility payment history, and redefine what creditworthiness looks like. Provide specific support for victims of credit abuse.**
- **Increase funding for down payment and closing-cost assistance to first-time homebuyers. Qualifying criteria for assistance should be revisited and adjusted regularly to account for inflation, changes in the regional housing market, and other factors. This would increase homeownership access for thousands of young families who can afford monthly mortgage payments but not these initial costs.**

## 5: Invest in Education and Communication

NIMBYism is often fueled by a lack of understanding among residents and municipalities of what “affordable” or “low-income” housing looks like, and who qualifies for it. Home Rule then enables NIMBYism to continue, as municipalities and land-use boards have little incentive to overcome the tendency to strike down affordable developments. Education is key to overcoming these challenges and facilitating positive change. It is also critical to publicize and incentivize best practices for more equitable approaches to local zoning, property tax, or lending access. Accordingly, New York State could:

- **Establish regional technical assistance teams to educate and support local planning entities and introduce educational requirements for land use board members. This education should include modules on alternative models to homeownership, and how cooperative and land trust models can increase overall community wealth and stability in the long-term.**
- **Launch an intensive campaign to overcome attitudes of bias and othering that contribute to NIMBYism and concentrated areas of poverty. Demonstrate that average working individuals and families cannot afford to live within a reasonable distance of their jobs. Help people understand that even moderate- to high-income individuals may have significant amounts of student debt that prevent them from living near their families.**
- **Validate one underlying motivator of NIMBYism as a desire for communities to have a hand in shaping their future, including the possibility to live near existing family and friends. Explore possibilities of legislation that upholds Fair Housing while allowing a certain portion of new development to be allocated to families and friends of existing community members in new housing developments that meet certain criteria, such as having a certain number of units and with a high ownership threshold.**
- **Fund financial and housing-related literacy in schools. Within that education, include planning-related curricula and a history of discriminatory housing and lending practices and how they manifest long-term.**

## 6: Evaluate State Funding Allocations

As state government continues to demonstrate its commitment to affordable housing and homeownership, our regional stakeholders have identified three specific budget recommendations that would help. To maximize the impact of investment of public funds, New York State could:

- **Ensure state funding acts as a long-lasting and high-impact investment in the common good, rather than be used as a one-off expense. For example, consider supporting collective ownership of housing as well as industry, health services, sustainable energy, technology, and other aspects of our economy.**
- **Following this principle, invest in homeownership and equity-building as a priority to overcome the ever-growing wealth gap between renters and owners. Establish an incentive for owner-occupied developments that is equivalent to LIHTC for affordable rentals.**
- **Expand the state’s housing plan to include housing-adjacent needs. Reprioritize Department of Transportation spending by diverting money from car reliance and road infrastructure to public transit. This is in line with the Governor’s priority of Transit-Oriented Development, while ensuring that areas that do not currently have transit infrastructure do not get left behind.**