

Article from **Policy Perspectives**

(http://www.imakenews.com/cppa/e_article000865132.cfm?x=b6Gdd3k,b30DNQvw,w)

July 19, 2007

Utah Economy

Part 4: The Affordable Housing Squeeze in Utah

by *Janice Houston, CPPA Sr. Policy Analyst*

Evidence from the 2005 American Community Survey

Introduction

Utah has seen a marked increase in housing values and housing prices recently. This follows on the heels of a national surge in home prices and valuation. At the same time, income and wages in Utah, when adjusted for inflation, have been stagnant. While some Utah homeowners are enjoying the benefits of greater wealth due to an increase in their home's valuation, these two factors are making home affordability around the state an issue for those, such as first-time home buyers and low-wage earners, that don't have a built-in equity cushion.



While the rapid increase in home values and prices is a fairly recent phenomenon in Utah, evidence from the 2005 American Community Survey (ACS) done by the US Census Bureau suggests that even before the boom many Utahns were struggling to meet housing costs. This article provides details from the ACS regarding housing affordability for the metropolitan counties of Cache, Davis, Salt Lake, Utah, Washington and Weber. All of the data referenced in this article are available as a chart by [clicking here](#).

Single Family Dwellings, Vacancy Rates and Homeownership

Approximately 70 percent of dwellings in Utah are single family homes compared to 63 percent nationally. Davis County has the highest proportion of single family dwellings at 76.7 percent while Cache has the lowest at 65.4 percent. Cache County also has the lowest overall vacancy rate of 4.8 percent. Both figures can be attributed to the presence of Utah State University and the large student population where there is a high demand for inexpensive apartments.

Salt Lake County has the highest overall proportion of multi-family dwellings—almost 1/3 of all housing units within the county are multi-family units. Of those, about 45 percent are large apartment or condominium blocks that contain 10 or more units. Cache County has the lowest density of large multi-family dwellings; only 22 percent are in large blocks of ten or more units.

Mobile homes are not a popular option for housing in Utah. Overall, only 3.9 percent of the state's dwellings are mobile homes compared to 6.5 percent nationally. Within the metropolitan counties, mobile homes range from a low of 1.9 percent in Salt Lake and Utah counties to a high of 7.2 percent in Weber County and 7.4 percent in Washington County.

Overall, vacancy rates in Utah are lower than nationally, 9.3 percent vs. 10.8 percent. As was mentioned above, Cache County has the lowest vacancy rate among the metro counties at 4.8 percent. Washington County has the highest at 15.6 percent due to the seasonality of vacation homes in the area. For the counties along the Wasatch Front, the vacancy rate is approximately 6.0 percent.

The percentage of Utahns that own their home is higher than the national average, 70.6 percent vs. 66.9 percent. Among the metropolitan counties, the rate ranges from a low of 63.7 percent in Cache County to a high of 77.5 percent in Davis County.

When examining Utah's Hispanic and Caucasian populations, both have homeownership rates at or above their counterparts in the rest of the nation. However, the difference in rates between the groups is still quite large. A little over 73 percent of white non-Hispanic Utahns own their home compared to only 50.0 percent of Utah's Hispanic population. For most of the metropolitan counties, the ownership rate among Hispanics is around 45 percent. The notable exceptions are Cache and Washington counties. Cache has the lowest rate among Hispanics (only 1/3 own their home) while Washington County Hispanics have the highest rate of 65.0 percent who are homeowners.

So what do all these statistics mean? The social and economic climate of the state encourages ownership of single family homes at a time when vacancy rates are low and prices are climbing. While most of Utah's population, including a significant part of its largest minority group, are homeowners, that dream may be harder to achieve as the next section will show.

The Convergence of Income and Housing Costs

Overall, the median household income of Utahns in 2005 was higher than the nation. For all dwellings, the median income in Utah was \$47,934 compared to the national \$46,242. Most of the \$1,700 difference between the two groups comes from the incomes of renters. For Utah homeowners, the median income was \$57,529, about \$300 less than the national median.

Additionally, the distribution of Utah homeowners' income is narrower than the national curve. [Figure 1](#) highlights these differences. As it shows, a full quarter of Utah homeowners had incomes between \$50,000 and \$74,999 and 58 percent had incomes ranging from \$35,000 to \$99,999. This narrow distribution and the fact that relatively few Utahns earn in excess of \$100,000 suggests that a lot of families of moderate means are going to have difficulty keeping up with rapidly escalating housing costs.

Indeed, when monthly housing costs are divided by monthly income, 25.4 percent of Utah homeowners in all income categories are paying at least 30% of their income in housing costs every month. While this is a lower percentage than nationally, the picture varies from county to county. Washington and Weber counties have the lowest percentage of homeowners paying in excess of 30 percent while Salt Lake and Utah counties have the highest. The thirty percent threshold is the figure at which the federal government considers housing costs to be unaffordable.

For renters, the percent paying at least 30 percent of their monthly income is even higher, despite the fact that rents in Utah are lower than the national average and Utah renters have a higher median income than their counterparts across the nation. Overall, 41.6 percent of renters in the state are paying at least 30 percent of their income for housing costs. Across counties, the percentage ranges from 36.1 in Davis County to 47.4 in Utah County.

When the data are broken down further, a full 62.7 percent of Utahns with incomes under \$35,000 have housing costs that are at least 30 percent of their monthly incomes. For middle income Utahns, those with earnings between \$35,000 and \$74,999, 24.0 percent have housing costs in excess of 30 percent. Again, the percentages vary from county to county. Salt Lake and Utah counties have the highest percentage of housing squeezed families. In Salt Lake County 67.9 percent of low-income residents struggle with housing costs over 30 percent and in Utah County the percentage is 66.3 percent. For middle income families in these two counties, 28.9 and 27.8 respectively have housing costs in excess of the 30% threshold.

Mortgage Holders and Housing Costs

The data on those Utahns with a mortgage suggests the housing squeeze is even tighter than is documented above. First, a greater percentage of Utah homes have a mortgage than nationally.

Over 74 percent of homes in Utah carry a mortgage compared to 67.9 percent nationally. Second, a greater percentage of Utah homeowners carry a second mortgage and/or home equity loan than the national average, 28.4 percent vs. 24.1 percent nationally. There is no way to determine whether this tapping into equity from rising home values is to boost a particular home's value further or to simply meet other expenses, such as credit cards. Either way, it means that a greater portion of monthly income is going to meet housing expenses embodied in a first and second mortgage.

When mortgage holders are broken into income categories, the percentages of these homeowners that are paying at least 30 percent of their income in housing costs increases significantly above those for homeowners overall. Almost 86 percent of low-income homeowners statewide are at or above the 30 percent threshold. For Davis, Salt Lake and Utah counties, the figures are in excess of 90.0 percent. Even for middle income residents, the figures are concerning. Statewide, 35.3 percent of homeowners with incomes between \$35,000 and \$74,999 are paying at least 30 percent of their income in housing costs. Salt Lake County has the highest percentage—43.4 percent of middle-income residents are at or above the threshold, while Utah County is not far behind with 37.7 percent.

Policy Considerations

All of these figures suggest that Utah residents were spending a significant amount of their resources to meet monthly housing costs in 2005 prior to the latest upsurge in home prices in the state. The income spent to meet this basic need is less income that will be spent on other goods and services. Additionally, it may mean that more Utahns are living on the financial edge and one major life event—an illness or sudden unemployment—pushes them into financial insolvency.

So what, if anything, can and should policymakers do to address these concerns? Zoning laws can be enacted and enforced to ensure that as housing developments are built, consideration is given to units for low and moderate income families. Higher density housing is the simplest way to meet these needs but there are other creative financing mechanisms communities can use. Low interest and non-qualifying loans for teachers, police and fire fighters as well as other low paying "essential" workers can help these families afford to live in the communities they work in. Investment in financing mechanism like the Olene Walker Housing Trust Fund can also help address the housing needs of the lowest income Utahns. Finally, policymakers working in economic development and on planning commissions can wisely use their incentive money to bring in employers that boost the overall wage rate of the state's workers.

Published by [Center for Public Policy & Administration](#)

Copyright © 2007 The University of Utah. All rights reserved.

The Center for Public Policy & Administration offers research, education and services to public and nonprofit organizations that will strengthen administration, leadership and public policy making.

Powered by [IMN](#)