

To: Laura Lewis, Mayor of Ithaca
From: Johnny Jiang, Data Scientist on Housing Inequality. J.J.
About: Addressing the current Housing Inequality in Ithaca
Date: August 14, 2023

Executive Summary

In the current 21st century, affordable housing is a necessity for all human beings. As such, it's unprecedented that many areas in the United States aren't trying to fully tackle the issue of housing inequality. Therefore, it's important that we start addressing this issue so more people can have affordable housing options. As Ithaca is one of the places where housing inequality remains prevalent, it's important that we should create new policies to help address and alleviate this issue. Thus, I recommend an implementation of a housing welfare program that provides credit-based and merit-based loans and subsidies for low-income and racial minority groups based on their contribution to the program. This way, individuals and families are able to alleviate financial pressure through subsidies when buying their own home.

Background

With Ithaca's housing price increasing, it's inevitable that many households will continue to struggle finding affordable housing. As of 2023, housing prices have seen a steady increase in the % cost compared to the previous years. Since 2000, housing prices have increased by an average of 4.7% and since 2012, the percentage rose up to 7.7%. However, between April 2021 and April 2022 homes rose by a whopping 18.8%¹. As you can see, the percentage increase in housing prices have become extremely alarming to places in the U.S and Ithaca is no exception to that. This could potentially lead to the number of housing units owned by the rich and the poor continuing to increase.

Over these past few years, however, such issues have seen improvements with housing development plans that aid to decrease the housing inequality found in Ithaca. One such development plan was city staff and boards recognizing the value in approving low-moderate income housing. With this, 54% of the housing completed were low-moderate income which is impressive compared to the 10%-20% that most cities often struggle to meet². I have seen the effort implemented by the staff and boards of Ithaca, but such efforts are not going to alleviate a lot of the housing inequality burden. With for-sale housing still lacking and most of the for-sale housing being single family homes, there aren't enough funds for many families. Additionally, with the limited resources of cash for the state it's disincentivizing to fund for many of these affordable housing as they prioritize grants compared to the general population. Therefore, I believe it's essential to provide subsidies to the general public as an incentive lest housing inequality continues to increase as years go on.

To address the issue of housing inequality, we first have to understand certain indicators that pertain to the rise in price for Ithaca housing. From data analyzed for Ithaca housing from June

¹www.creditkarma.com/home-loans/i/average-home-value-increase-per-year#:~:text=Since%201991%2C%20the%20average%20annual,average%20rate%20has%20been%204.7%25.

² ithacavoice.org/2023/04/five-takeaways-from-ithacas-2023-housing-development-snapshot/.

2022 to June 2023 through Ithaca Board of Realtors, the median sales price increase for homes was 17.1% or up to \$373,000. With this huge increase in sales price, the percent change in pending sales from June 2022 to June 2023 dropped by 27.7%³. This huge decrease in sales can be mainly attributed to the high-price listed for homes. Furthermore as there is a decrease in houses listed as “for-sale” in the market, naturally sellers would increase the price for homes to even the demand of consumers so they can generate more profit⁴. Coupled with demand outpacing supply in the Ithaca housing market, it is inevitable that the price of housing units will continue to soar thus making it harder for many families to afford housing.

I also conducted analysis on the Fair Market Rent of Ithaca housing through different advertising platforms. From the analysis, I noticed that most houses were not below fair market rent as most housing units saw only 9.6%-27.6%⁵ of houses being below market rent thus making a lot of housing not as affordable to many households.

Options

From the analysis of Ithaca housing data, you can see how severe the issue of affordable housing has become. Over the past decades, housing units’ price has continuously increased by a greater percentage each successive year. This has led to many families having a hard time affording homes in Ithaca and if no serious further actions are taken, it can increase the number of segregated neighborhoods between the rich and the poor in Ithaca. Although housing inequality is a major issue in Ithaca, I have two options that may help you alleviate the severity of the issue.

1) Implementing a housing welfare program

My first option for you is implementing a housing welfare program that would help subsidize and lend out loans to participants within this welfare program. This welfare program would include members within a certain income range, relatively low-middle income, and provide subsidies and loans to these groups of individuals. The welfare program would be based on a “credit score” system where the amount of subsidies and loans given are based on individual merits and deeds. The program can allocate community and volunteering tasks for all members and when completed, it can increase their credit score. When members are looking to buy a home, they can withdraw a certain amount of subsidiaries/loans based on their credit score.

Pros:

- Community work may be completed and individuals may help clean the local area clean.
- The community work may also allow members to grow closer with each other and further help one another through their struggle.

Cons:

- Huge start-up cost. The welfare program will need a lot of capital in order to allocate these subsidies and loans.

³ [ithacarealtors.com/statistics/](https://www.ithacarealtors.com/statistics/).

⁴ See Appendix A, Figure 1

⁵ See Appendix A, Figure 2

2) Decreasing housing discrimination among racial minorities

The second option would be to decrease housing discrimination among racial minorities since certain house sellers often prefer selling it to Whites instead of Blacks or Hispanics. Therefore, it would be harder for the racial minorities to buy houses especially since stereotypes often portray Whites as often “wealthier” and are more “trustworthy”. To decrease housing discrimination among racial minorities, you can create an app that includes all current “for-sale” homes in Ithaca and every person is able to use the app and buy homes no matter their ethnicity.

Pros:

- There are more opportunities and houses for racial minorities.

Cons:

- Discrimination may still be prevalent since individuals may find loopholes to counteract this change.
- People have the right to determine who they want to sell their house to.

Recommendation

From the two options that I mentioned before, implementing a housing welfare program (option 1) is the better choice out of the two since it provides more pros relative to its cons. By implementing a housing welfare program, it can also allow members to further know each other and support one another. The community and volunteering tasks in the welfare program will also provide individuals to help support their local community and improve their environment while also gaining the incentive to increase their credit score. I believe this is the best option out of the two as it not only provides subsidies to members but it also advocates a better community from the volunteering works that members of the program would do. Though this option may be cost-heavy, but through public funding and government support for the housing welfare program, housing inequality issues may be addressed and the severity may be alleviated so there are more opportunities for affordable housing among individuals.

Appendix A

Figure 1-Ithaca housing June 2023 statistics

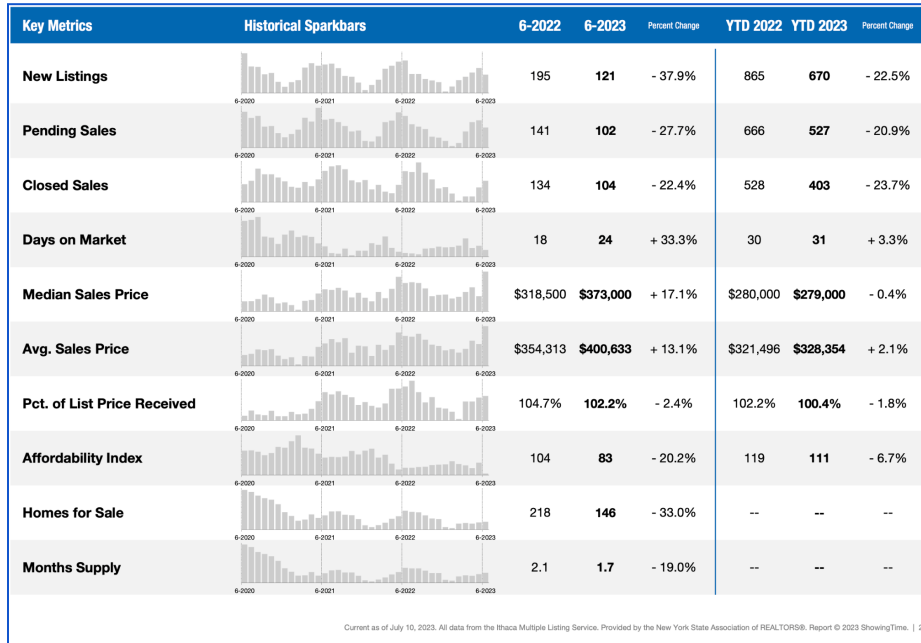


Figure 2- Below fmr analysis on Ithaca housing

	cat_beds	n	below_fmr	prop_below_fmr
1	0	204	25	0.12254902
2	1	1471	294	0.19986404
3	2	2191	212	0.09675947
4	3	1104	305	0.27626812
5	4+	305	74	0.24262295

Works cited

- Dunn, Andrew. "What Is the Average Home Value Increase per Year?" *Intuit Credit Karma*, 30 Aug. 2022, www.creditkarma.com/home-loans/i/average-home-value-increase-per-year#:~:text=Since%201991%2C%20the%20average%20annual,average%20rate%20has%20been%204.7%25.
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- Ithaca Board of Realtors. "Ithaca Housing Statistics." *Ithaca Board of REALTORS®*, Inc., 25 July 2023, ithacarealtors.com/statistics/.