



INDIANA UNIVERSITY

PUBLIC POLICY INSTITUTE

Center for Research on Inclusion & Social Policy

AFFORDABLE HOUSING IN INDIANA (2022) Policy considerations and recommendations

BACKGROUND

The Indiana General Assembly passed House Bill 1306 in 2022. When it was signed into law in March 2022, Indiana Public Law 99 established a task force to review housing-related issues and housing shortages in Indiana. This task force must issue a report to the general assembly and governor no later than November 1, 2022.¹

In August 2022, researchers from the Center for Research on Inclusion and Social Policy [produced a policy brief](#) containing recommendations for local and state officials to address homelessness, much of which concerned housing issues in Indianapolis.

This brief expands on the previous report by examining housing availability and affordability in Indiana, while also comparing Indiana to four other similar states. Using this information, the research team provides policy suggestions to address housing shortages in Indiana.

AFFORDABLE HOUSING

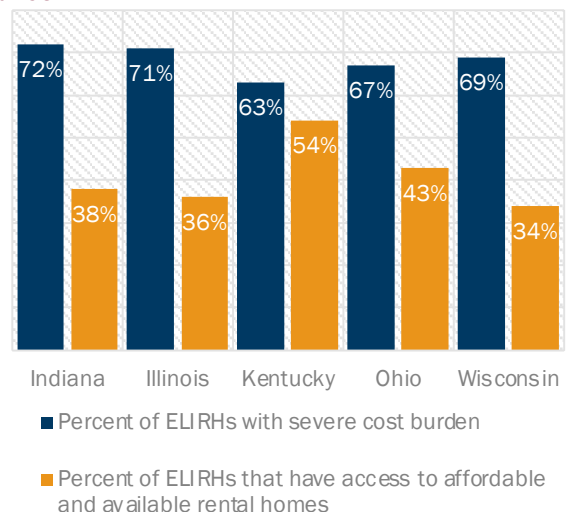
In Indiana, the shortage of affordable housing has grown since the late 2000s. Housing is deemed affordable when the cost of a unit does not exceed 30% of the resident's household income.² The U.S. Department of Housing and Urban Development (HUD) says a person or family paying more than 30% of their household income is cost-burdened. A person who pays more than 50% is considered severely cost-burdened.³ For example, a household making \$50,000 per year would need to pay no more than \$1,250 per month in rent for their home to be affordable and to ensure they are not cost-burdened.

In Indiana, there are currently 38 affordable and available homes for every 100 extremely low-income rental households (ELIRHs).⁴ HUD defines ELIRHs as households

with incomes at or below the U.S. poverty level, or as households making less than 30% of their local Area Median Income (AMI).⁵ In 2022, Indiana's median family income was \$82,100.⁶ This means the average ELIRH family income level would fall around \$25,000, varying slightly by specific location.

In 2020, there were more than 217,000 extremely low-income renter households in Indiana.⁷ To better understand how Indiana fares on available and affordable housing, CRISP researchers examined trends in five states. Of those five states, Indiana ranked third for affordable and available housing. Yet it also had the highest percentage of severely cost-burdened extremely low-income renter households at 72%. Illinois had the second highest percentage followed by Wisconsin, Ohio, and Kentucky (Figure 1).⁸ In an ideal scenario, the percentage of severely cost-burdened ELIRHs should be lower than the percentage of ELIRHs that have access to affordable and available rental homes.

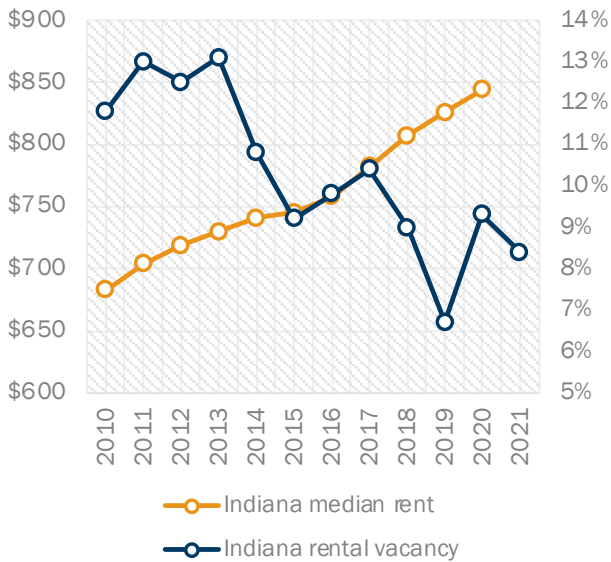
FIGURE 1. State comparison of affordable housing rates



RISING COST OF HOUSING

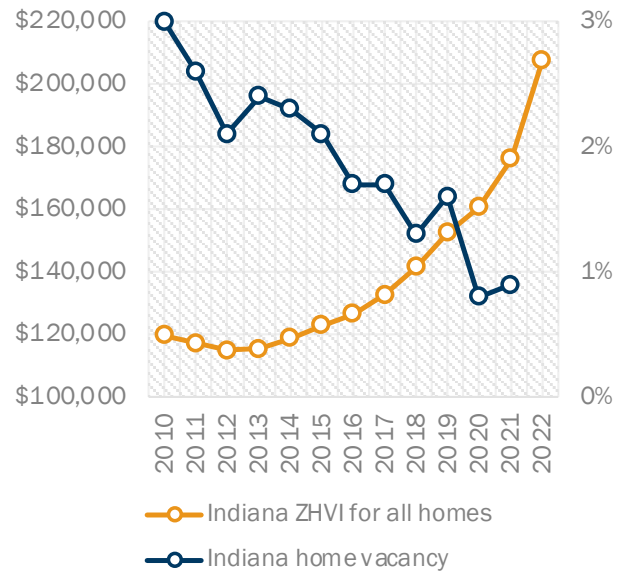
Rising rental costs increase the cost burden for a household while simultaneously reducing the options available to these households. In the past 12 years, rental vacancy in Indiana has fallen by nearly 29%, dropping from 12 available homes per 100 renter households in 2010 to just 8 available homes per 100 renter households by 2021.⁹ During that same time, the median monthly rent in Indiana increased by 24%, climbing from \$683 per month in 2010 to \$844 per month in 2021 (Figure 2).¹⁰ An increase in rental prices combined with a decrease in rental availability creates a concerning trend for renters across Indiana.

FIGURE 2. Indiana median rent and rental vacancy rate (2010–21)



Homeownership follows a similar trend. The statewide home vacancy rate has fallen to less than 1%—the lowest level since 1994—while the Zillow Home Value Index (ZHVI) for all homes in the state has skyrocketed (Figure 3).^{11,12} Overall, this suggests that as the supply of homes—to rent or own—waned, these units become even more unattainable for low-income individuals and families due to rising cost.

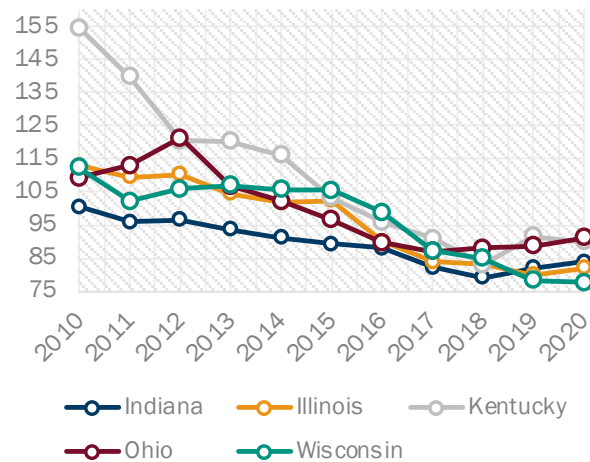
FIGURE 3. Indiana Zillow Home Value Index (ZHVI) and home vacancy rate



PERMANENT SUPPORTIVE HOUSING

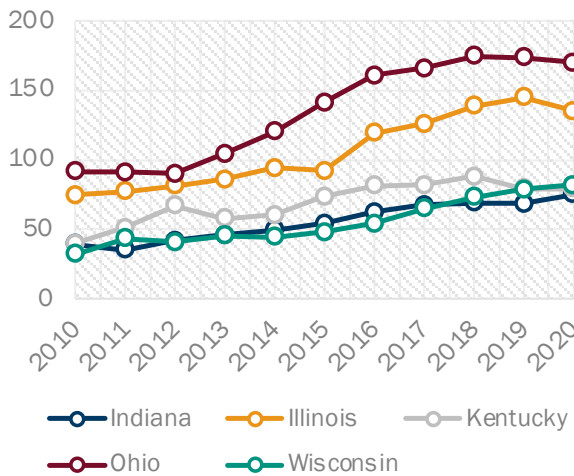
Homelessness is a direct consequence of the combination of housing supply shortages and rising housing prices. Discussions surrounding housing must also consider the state of housing infrastructure for people experiencing homelessness and those on its precipice. To that end, researchers examined trends related to homelessness and permanent supportive housing in Indiana and surrounding states. They found that Indiana once had one of the lowest rates of homelessness among the comparison states. Yet by 2020, the state had risen to the middle of the pack (Figure 4).^{13,14}

FIGURE 4. People experiencing homelessness per 100,000 population



As of 2020, Indiana had the lowest number of permanent supportive housing beds per capita of the five Midwestern states examined (Figure 5). In contrast, Ohio had the most beds per capita.

FIGURE 5. Permanent supportive housing beds per 100 individuals experiencing homelessness



POLICY CONSIDERATIONS

The following actionable recommendations are by no means all-encompassing. However, they may be considered as possible remedies to the housing issues described in this brief.

In general, CRISP researchers suggest incentivizing building low-income, affordable, and “missing middle” (e.g., duplexes, fourplexes, cottage courts, courtyard buildings, townhomes, and multiplexes) housing solutions. These types of buildings provide diverse housing options that are designed to support neighborhood retail and public transportation options. Investing directly in more public developments by funding multifamily subsidized housing could create more affordable housing opportunities for those at every level of the income spectrum.

Expand affordable housing tax credits

Expanding the 2022 affordable housing tax credit could increase housing affordability.¹⁵ This legislation allows the Indiana Housing and Community Development Authority (IHCDA) to distribute up to \$30 million per year in tax credits to developers of low-income housing projects. This program is slated to end on July 1, 2028. By expanding how much can be distributed each year—and by removing the

program’s sunset date—the state can increase incentives for affordable housing development for years to come. Doing so also would increase the affordability and accessibility of homes for low-income individuals and those in ELIRHs.

Increase funding for permanent supportive housing

Investing in infrastructure that supports those experiencing homelessness could help provide supportive housing to individuals in need. As of 2020, Indiana only had 75 permanent supportive housing beds available for every 100 people experiencing homelessness. IHCDA currently supports the creation of permanent supportive housing through the Indiana Permanent Supportive Housing Initiative (IPSHI) program.¹⁶ Allocating additional resources to IHCDA through the IPSHI program could help support the development and expansion of these units.

Expand Indiana Housing First program

Similarly, the Indiana Housing First program¹⁷ is ripe for expansion. In 2021, IHCDA awarded \$800,000 to three service providers across seven counties to fund 95 households.¹⁸ The monthly rate of \$702 per household is a noteworthy effort to address housing affordability issues for Hoosiers. Increasing the number of individuals and households with access to this program could measurably improve the quality of life and reduce burden on Hoosiers experiencing homelessness.

Increase social safety net programs

Access to and the affordability of housing are connected to underlying systemic challenges and socioeconomic barriers. Therefore, decreasing eligibility requirements and increasing benefit levels for state-administered social programs may help address some of these barriers. Social safety net programs—like Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), and Healthy Indiana Plan 2.0—are designed to support low-income individuals. Expanding access to these services may considerably benefit those who are struggling economically. When adequately funded and equitably distributed, these state and federal programs can reduce the need for people to make difficult financial decisions, such as choosing between child care, groceries, medical care, or—most pertinently—their housing costs.

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The Center for Research on Inclusion & Social Policy (CRISP) was created to address complex social issues and the effects of social policy through applied, data-driven, and translational research. CRISP analyzes and disseminates community-relevant research about social disparities and policy issues. The Center is housed within the IU Public Policy Institute (PPI), which also supports the Center for Health & Justice Research (CHJR), and the Manufacturing Policy Initiative (MPI).

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