Through the Roof

What Communities Can Do About the High Cost of Rental Housing in America

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ABOUT THIS REPORT

This report shows what local U.S. governments can do to mitigate the rising cost of rental housing. It considers the root causes of high rent burdens, reviews evidence about the consequences, and lays out a framework that cities, towns, and counties can use to help provide all their citizens with safe, decent, affordable housing options. This tool will help local officials develop new housing strategies and enhance those that already exist.

The authors draw from their experience building and working with the National Community of Practice on Local Housing Policy, which they launched with support from the Ford Foundation and the John D. and Catherine T. MacArthur Foundation, and from material they developed for LocalHousingSolutions.org.

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Rally to Restore Sanity and/or Fear in Washington, DC, October 30, 2010. Source: Grace C/Flickr/CC BY-NC 2.0

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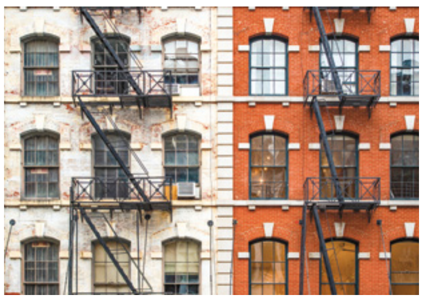


Executive Summary

Over the past half-century, U.S. households, especially renters, have seen a dramatic shift in their budgets. Rents have risen, incomes have not kept pace, and, as a result, renter households are spending a growing portion of their incomes on shelter. The share of renters who are rent-burdened—paying more than 30 percent of their income on rent—rose from less than a quarter in 1960 to nearly half in 2016. Even more striking, the share of renter households that are *severely* rent-burdened—paying more than half of their income on rent—rose from 13 to 26 percent during this same period. Housing costs have also risen for homeowners. Although many observers focus on affordable housing shortages in coastal cities like San Francisco and New York, housing cost burdens have risen throughout the country.

People living in households of all kinds, including these apartments in New York City, are spending more on housing than in previous decades. *Source: Peeterv/iStock/ Getty Images Plus.*

Evidence demonstrates that these cost burdens matter. Experimental studies show that federal housing choice vouchers, which pay part of a household's rent and significantly reduce the likelihood of homelessness, also lead to improvements in children's standardized test scores (Schwartz et al. 2020). Children living in public housing are more likely than other poor children to be food secure and classified as "well" on a composite indicator of child health, perhaps because their parents can better afford nutritious food (March et al. 2009). Even small increases in household disposable income after paying housing costs can improve both educational and health outcomes (Duncan, Morris, and Rodrigues 2011).

This report reviews the root causes and consequences of the growing lack of affordable housing. One reason why current households spend so much more of their budgets on shelter is that we simply cannot supply enough units to meet the rising demand in many cities where strict land use regulations and growing local NIMBY (not in my backyard) opposition make building difficult and expensive. But barriers to new construction are an incomplete explanation. Lack of innovation and risk aversion in the building sector also likely play a part. So does the lack of buildable lots in many of the places where people want to live. Other possible factors include the shrinking number of entities involved in housing development and property ownership, the growing flow of global investment, and the increasing involvement of large financial firms in the housing industry; these trends shape the type of construction that is built and contribute to higher housing costs and burdens. Building trends that favor larger housing units, the changing structure of the economy, and growing income inequality also widen the gap between marketplace rents and the budgets of low- and moderate-income families who need shelter.

Given the broad market forces at work in the growing affordability crisis, some may ask whether government can do anything to make a difference and ease the burden. This report argues that the answer is yes: government at all levels can take critical steps to substantially improve housing affordability. However, *local* governments, given their powers over land use, building codes, permitting, and property taxes, are particularly well positioned to build broad-based, effective local housing strategies that increase supply and affordability. Local governments rely on federal and state housing subsidy funds, but they typically have some discretion to determine how best to structure the programs and policies that use those funds.

Drawing on the conclusions of the National Community of Practice (CoP) on Local Housing Policy, this report shows that the most effective local housing strategies are both comprehensive and balanced, making them more likely to garner political support from the wide coalition of interests needed to advance desired policy changes. They must incorporate the full set of tools available to local governments, including subsidies, tax incentives, land use regulations, and permitting reforms. They also advance four mutually reinforcing objectives:

(1) create and preserve dedicated affordable housing units;
(2) reduce barriers to new supply;
(3) help households access and afford private market homes; and
(4) protect against displacement and poor housing conditions.

CHAPTER 1

Affordability Trends

Across most of the country, rents are rising more quickly than incomes. *Source: DebraMillet/iStock/Getty Images Plus.*

The current affordability crisis has deep roots. Since 1970, median rents have risen substantially more than median incomes (figure 1A, p. 6). Between 1960 and 2016, median income rose by about 11 percent in real terms while the real value of median gross rents (which include utility costs) rose by 80 percent. That's cruel math. Moreover, rents seem to have risen inexorably, even in the 1970s and in the first decade of the 21st century when the median income fell in real terms.

Figure 1A

Changes in Median Income and Median Rent 1960–2016 (Indexed to 100 for Values in 1960)

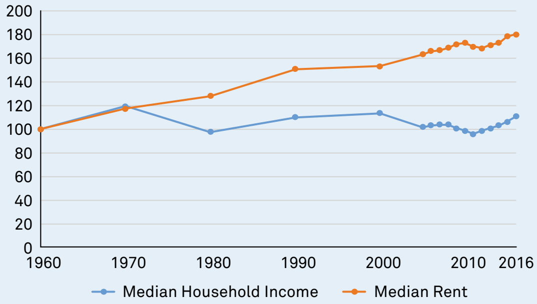


Figure 1B

Changes in 25th Percentile of Income and Rent 1960–2016 (Indexed to 100 for Values in 1960)

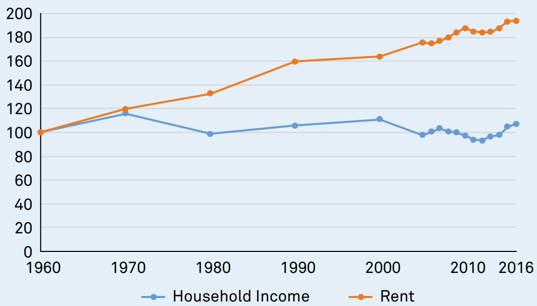


Figure 1C

Changes in 75th Percentile of Income and Rent 1960–2016 (Indexed to 100 for Values in 1960)

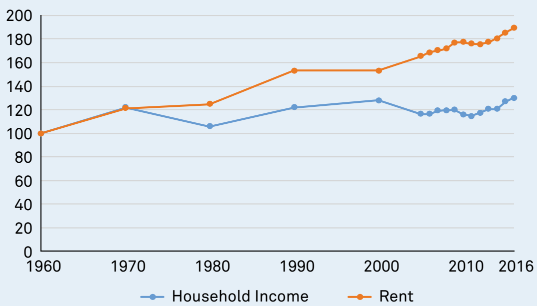


Figure 1B shows that the difference between rent and income growth was even sharper at the lower end of the distribution, with 25th percentile rents rising by 94 percent between 1960 and 2016, while 25th percentile incomes rose by just 7 percent. But rents outstripped incomes across the distribution. Figure 1C shows the same pattern, albeit less pronounced, for the 75th percentile of income and rents.

As a result, rent burdens rose. Figure 2A shows trends in housing cost burdens between 1960 and 2016. The share of renters who are rent-burdened—paying more than 30 percent of their income on rent—rose from less than a quarter in 1960 to nearly half in 2016. Perhaps even more striking, the share of renter households in the United States that are severely rent-burdened—paying more than 50 percent of their income on rent—rose from 13 percent in 1960 to 26 percent in 2016. Over time, the sharpest jumps in rent burdens occurred during the 1970s and the 2000s.

Rent burdens peaked in 2011 and have dropped somewhat since, but they are still near historically high levels and well above even what they were in the year 2000. Much of the recent decline in rent burdens is due to a shift in the composition of renters, as a larger percentage of middle- and high-income households have delayed purchasing homes. The population of renters today thus includes households of greater means, households that one would expect to be naturally less rent-burdened. Within income groups, rent burdens did not change much between 2011 and 2015.

Figure 3 divides U.S. renters into five groups according to where their incomes fall relative to the national distribution of all household incomes, not just renter households (e.g., lowest quintile, highest quintile, etc.). Between 2000 and 2015, rent burdens rose for households in each of the income quintiles, but the burden levels are much higher for the lowest-income renters (the 1st income quintile). In 2015, over 80 percent of renters in the 1st income quintile paid more than 30 percent of their income on rent, up from 72 percent in 2000. But while affordability problems

Figure 2A

Share of Renter Households Paying More Than 30% and More Than 50% of Their Income on Rent 1960–2016

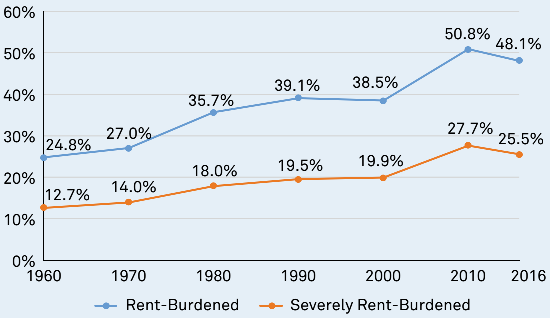
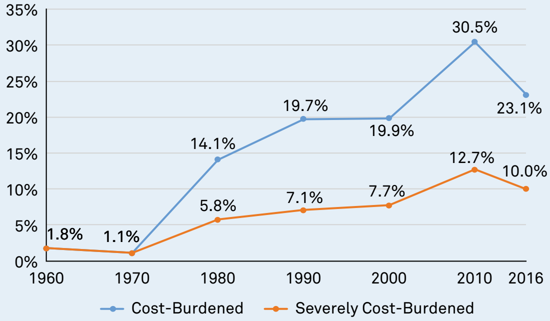


Figure 2B

Share of Owner Households Paying More Than 30% and More Than 50% of Their Income on Housing 1960–2016



are most serious for the lowest-income renters, they afflict tenants with higher incomes too. Between 2000 and 2015, the share of moderate-income renters (in the second-lowest quintile) paying more than 30 percent of their income for rent jumped from 26 to 43 percent. Among middle-quintile households, those who were rent-burdened rose from 7 to 17 percent.

These trends are more pronounced for renters, but homeowners—especially those with low incomes—are also spending more of their income on housing. Figure 2B shows that the share of homeowners paying more than 30 percent of their income on housing costs rose from 1 percent in 1970 to 23 percent in 2016. Low-income homeowners bear especially heavy burdens and have also endured large increases since 2000. Figure 4 shows that the proportion of homeowners with incomes in the lowest quintile spending more than 30 percent of their income on housing costs rose from 47 to 64 percent between 2000 and 2015.

Notably, this story is not just about San Francisco, New York, and other coastal cities. Every large metropolitan area in the United States has seen an increase in rent burdens. The blue and orange bars in figure 5 (p. 8) show the share of burdened renters in each of the 50 largest metro areas in 1970 and in 2016. Burdens rose more in some metro areas than in others, but the geographic patterns do not always conform perfectly to expectations. Of the five

Figure 3

Share of Renter Households Paying More Than 30% of Their Income on Rent in 2000 and 2015

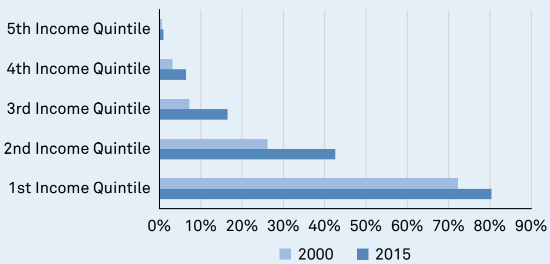
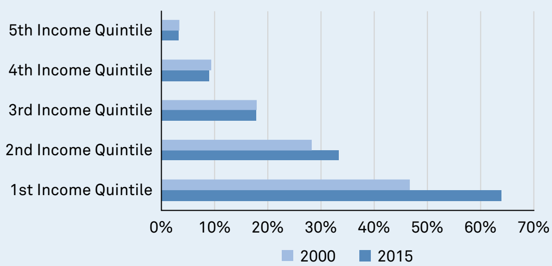


Figure 4

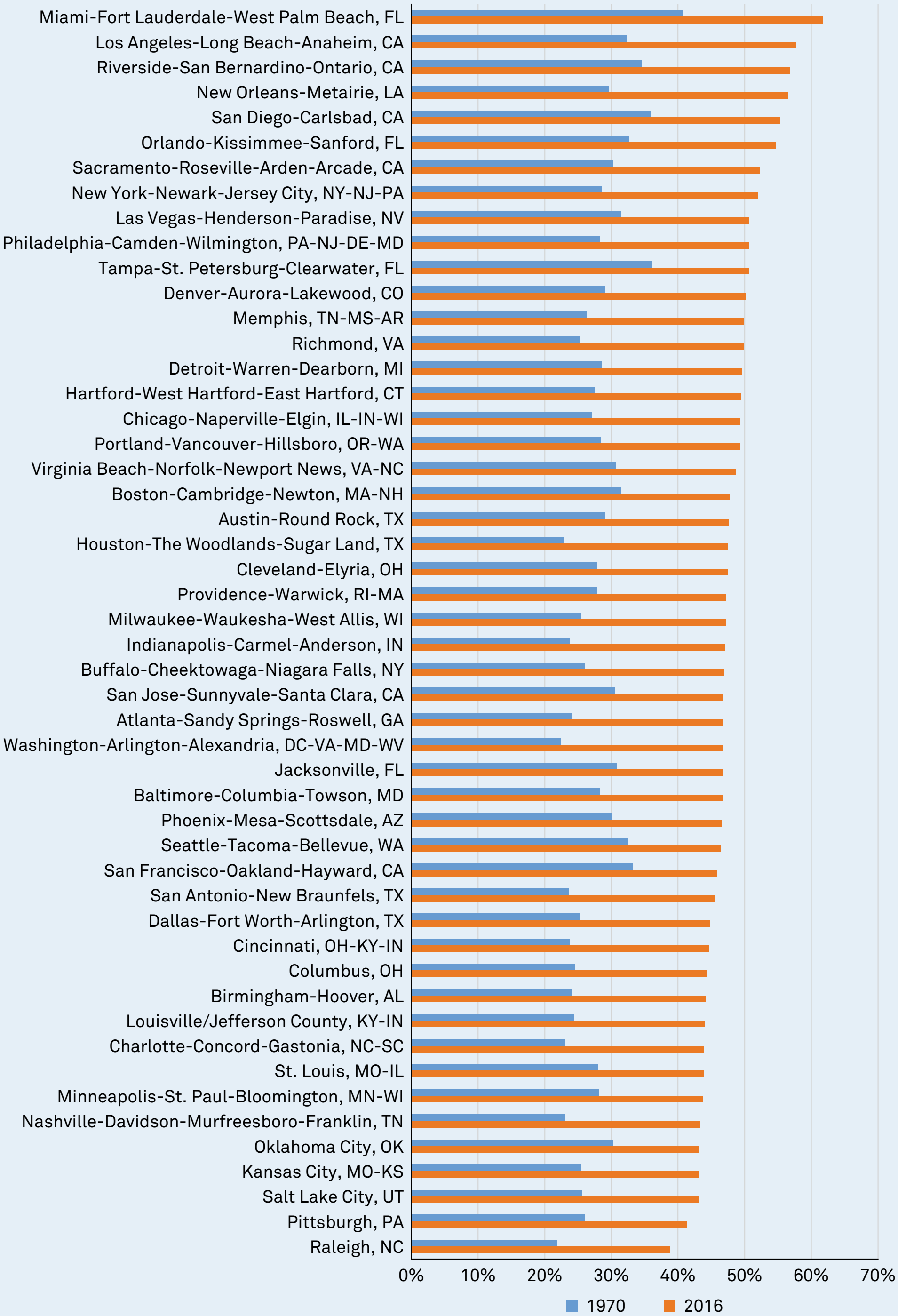
Share of Homeowners Paying More Than 30% of Their Income on Housing Costs in 2000 and 2015



The 1st income quintile earns the least. The 5th income quintile earns the most.

Figure 5

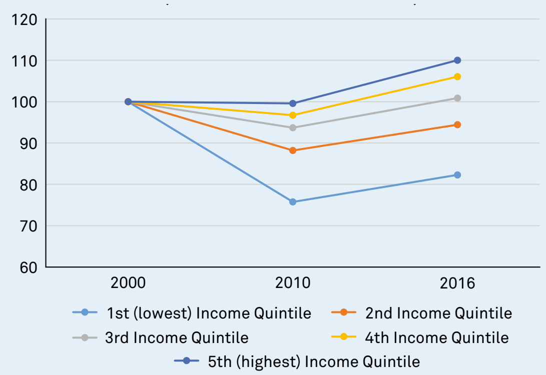
Share of Renter Households Paying More Than 30% of Their Income on Rent by Metropolitan Area in 1970 and 2016



metro areas where the percentage of rent-burdened households increased the most, two were in coastal cities (Los Angeles and Washington, DC) and one was in Texas (Houston), where looser regulations make it far easier to build. The San Francisco metro area actually saw the smallest increases in rent burdens among the large metro areas because incomes rose so substantially among renters during this time period. Rising rent burdens result from a mismatch between income and rent growth, not just from rising rents.

Figure 6

Changes in Residual Income per Income Quintile (Indexed to 100 for Values in 2000)



Alternative Measures of Affordability

As many have pointed out, rent burden is a highly imperfect metric, set arbitrarily at 30 percent of income. Having to pay 30 percent of one's income on rent is far more consequential for someone earning $10,000 per year than for someone earning $100,000. And if incomes rise over time, households can set aside a greater share of their income for housing and still have the same amount of money—or more—left over to spend on other consumption. If a household doubles its income from $30,000 to $60,000, for example, it will have $42,000 left over after paying 30 percent on rent, rather than just $21,000. With an income of $60,000, a household spending 65 percent of its income on housing would have the same amount left over for nonhousing consumption as a household earning $30,000 and spending 30 percent on housing.

Although these simple examples do not account for the cost of income and payroll taxes, they illustrate why affordability might be better measured by looking at residual income, or the amount of money that households have left after paying for housing and taxes. Figure 6 shows percentage changes in inflation-adjusted residual income between 2000 and 2016 for the median household in each income quintile. (For this figure, we use the consumer price index (CPI) without housing to adjust residual income for inflation.) Incomes in all years are adjusted to their dollar value in year 2000. Households with incomes in the lower income quintiles had considerably *less* money left over to cover other consumption after paying for housing in 2016 than they did in 2000. Specifically, the typical household in the lowest income quintile had 18 percent (or $1,034) less income left after paying for housing in 2016 than it did in 2000. The typical renter in the middle of the income distribution, meanwhile, saw virtually no change in residual real income over these 16 years. The experience for renters at the top of the distribution was quite different. For the few renters in the top quintile of the distribution, the amount of money they had left after paying for housing rose by 10 percent.

In short, all renters are paying more of their income on rent now than they were in earlier decades. For those with below-median income, this translates into less money left over for other goods. The next chapter digs deeper into the consequences for families and individuals.

CHAPTER 2

How Much Do Rising Rent Burdens Matter?

Some research indicates that household income, and the amount that is left over after paying housing costs, can affect the development and well-being of children. *Source: Rawpixel/iStock Getty Images Plus.*

It seems obvious that rising rent burdens would undermine health and well-being, either by forcing reductions in spending on other critical goods and services like food and health care, triggering unplanned residential moves, or increasing anxiety and stress. Yet there is only a modest amount of research directly exploring the links between housing affordability and health and well-being.

Evidence shows that rent-burdened households spend less on critical goods and services. The 2018 *State of the Nation's Housing* report from Harvard's Joint Center for Housing Studies shows that renters in the bottom income quartile who were rent-burdened spent almost $650 less in 2016 on nonhousing goods and services (including food, health care, and transportation) than bottom-quartile households that were not rent-burdened (Harvard Joint Center for Housing Studies 2018). Similarly, Sandra Newman and Scott Holupka (2014) find that low-income families with higher housing cost burdens spend less on enrichment activities for their children.

It seems likely that such expenditure differences could make a significant difference in both short- and long-term health and well-being by reducing the stress associated with worrying about high rent payments and possible eviction. The latest national estimates from the American Housing Survey suggest that about 700,000 households are threatened with eviction each year, most often for nonpayment. Matthew Desmond's celebrated book *Evicted* powerfully illustrates the tremendous pain and upheaval eviction can cause (Desmond 2016).

Despite the compelling reasons to believe that high rent burdens are harmful, empirically isolating the impact of cost burdens on households is tricky because higher cost burdens are often accompanied by other changes that can affect a family, such as job loss, divorce, and health crises. In addition, households usually have some discretion about how much they spend on housing and make a range of trade-offs. Some households might choose to accept a high rent burden in order to ensure that their children live in safe neighborhoods near high-resource schools that offer rich extracurricular activities. In other words, families might use their housing expenditures to buy more advantageous environments. As a result, it is difficult to disentangle the impact of housing affordability from other factors absent an experiment that randomly alleviates the rent burdens of some households.

It is therefore not surprising that the evidence on the effects of rising cost burdens and falling disposable incomes on child outcomes is spotty and mixed (Harkness and Newman 2005; Newman and Holupka 2014). Currie and Tekin (2015) provide some compelling evidence from the foreclosure crisis, showing that elevated foreclosures are associated with worse health in children and more emergency room visits and hospitalizations. While people with unaffordable housing costs are more likely to enter foreclosure than those with affordable costs, foreclosures might also be associated with neighborhood changes that are unrelated to affordability.

Impact of Housing Choice Vouchers

One way to evaluate the effects of rent burdens is by studying the impacts of receiving a housing choice voucher, a federal program that pays part of a household's market rent. Receiving a voucher can lead to many changes for families, including relocation to a new neighborhood, so it is difficult to say exactly what it is about vouchers that benefits families. But they undoubtedly lower housing cost burden. Indeed, families rarely use their vouchers to move to a lower-poverty neighborhood, and many use their vouchers to reduce the rent burden where they are already living (Schwartz et al. 2020). The Welfare to Work Voucher Program experiment sponsored by the U.S. Department of Housing and Urban Development (HUD), which randomly assigned vouchers to eligible households in six cities between 2000 and 2004, found that voucher recipients spent $211 per month less on rent and utilities than control group members, and they spent significantly more on food (Mills et al. 2006). Similarly, Jacob and Ludwig's study of a voucher lottery in Chicago found that vouchers enable families to reduce their spending on rent from about 58 percent of their reported income to about 27 percent (Jacob and Ludwig 2012).

Some research suggests that modest increases in family disposable income through the receipt of housing vouchers or tax credits are associated with higher standardized test scores. *Source: Annie Spratt/Unsplash.*

Vouchers also appear to significantly reduce homelessness. The Welfare to Work experiment found that vouchers reduced the probability of homelessness by 36 percentage points. Similarly, a third experimental study, HUD's Family Options Study, showed that vouchers reduce homelessness among even more vulnerable populations. The study randomly prioritized families in emergency shelters in multiple cities to receive a voucher. After three years, families offered a voucher were 18 percentage points less likely to have been homeless or living in someone else's home in the previous six months and 16 percentage points more likely to be living in their own home than families receiving the usual care provided in emergency shelters (Gubits et al. 2016).

Evidence suggests that increased affordability and stability translate into other beneficial outcomes. One recent article finds that children in New York City whose families receive vouchers scored higher on standardized tests than other comparable children whose families also applied for vouchers but received them later (Schwartz et al. 2020). Although the study cannot pinpoint exactly how vouchers affect test scores, much of the observed benefit appears to derive greater stability and reduced rent burdens. Cunningham and MacDonald (2012) offer a broader review and discussion of the links between housing and educational outcomes.

The children of low-income families receiving housing assistance also appear to be more likely to have access to nutritious food and to be classified as "well" on a composite indicator of child health than children of families on the waiting list for housing assistance (March et al. 2009). Maqbool, Viveiros, and Ault (2015) provide more discussion of the connections between housing and health.

Impact of Modest Increases in Income

Related research studies how higher income affects children's well-being. In general, this research finds that small increases in income (holding other factors constant) lead to better outcomes in education and health. For example, one study finds that poor, rural children whose families received an unexpected income supplement from the government had a lower incidence of psychiatric symptoms than those whose families received no supplement (Costello et al. 2003). In education, evidence from unexpected increases in the earned-income tax credit suggests that an additional $1,000 in annual income is associated with a roughly 6 percent increase in children's combined math and reading test scores (Dahl and Lochner 2012). In a review of randomized experiments that increased household income, Duncan, Morris, and Rodrigues (2011) reach a similar conclusion: modest increases in annual income raise test scores among young children. If increased family income improves children's health and well-being, then increased residual income (income after paying housing costs) should also provide benefits.

CHAPTER 3

Why Housing Costs Rise

When new construction is constrained by high operating costs or a shortage of land, rents and home prices rise with the competition for fewer homes. *Source: Pixabay/Pexels*.

Why are renters in the United States paying more of their income on rent? Many economists blame restrictive land use regulations. While these play a part, this doesn't explain why housing cost burdens have risen in cities with shrinking populations like Detroit and Cleveland, or fully explain affordable housing shortages in coastal cities. After briefly overviewing how housing markets work, this chapter identifies additional supply-side contributors, such as local political dynamics, limited supply of land, rising operating costs, and fewer federal resources devoted to affordable housing development. It also points to some demand-side factors: shifting expectations about housing quality and size, growing demand for living in selected cities, stagnant wages for most workers, and rising income inequality.

How Housing Markets Work

Simply put, in competitive markets, prices are determined by the interaction of supply and demand. Increased demand will lead to higher prices. For many goods, suppliers respond to higher prices by expanding production, which absorbs some of the increased demand and allows prices to fall close to original levels. But when supply is inelastic (i.e., producers cannot easily expand production), prices will remain elevated.

While this analysis explains some of the dynamics associated with housing supply and prices—notably, that rents and home prices tend to rise in areas that struggle to produce enough housing to meet demand—it fails to capture several aspects of housing that make it a unique commodity.

The first is that housing is not a homogeneous good. Although most consumers are willing to switch from one brand of seltzer to another, they may not be willing (or able) to move from a three-bedroom home to a studio apartment. Similarly, people are unlikely to abandon the luxury market for more affordable housing. In other words, housing markets are segmented into submarkets, and 10 more homes in the luxury market will not have the same effect on prices and rents in the midtier market as 10 more homes in that same midtier submarket.

Yet while housing markets are segmented, the submarkets are related. When supply is limited at the top end of the market, some higher-income households that cannot find housing there will seek it in the next tier down, thereby contributing to higher prices in that tier. This will force some households that would prefer to live in the second tier to move to the third tier, and so on. Similarly, as new housing is built in the top tier, some higher-income households will vacate homes in the second tier, which will free up options in the second tier for households that had been forced into the third tier, and so on. For these reasons, new homes aimed at the high end of the market can help to alleviate price and rent pressure in other parts of the market. New homes at the top of the market will increase supply for middle-income households more than for moderate- and lower-income households, but lower-income households are likely to find more available units too. Mast (2019) provides evidence showing how these migration chains work in practice; his estimates suggest that for every 100 market-rate units built in a city, 45 to 70 vacancies will open in below-median-income neighborhoods.

A second issue that makes housing markets unusual is that homes are expensive and difficult to divide. It is rarely possible to purchase or rent half or a quarter of a home, and extremely small homes are scarce. So there is a limit to how much lower-income households can reduce their consumption of housing, and there is a limit to how low rents can go, given the costs of operating and maintaining a home.

A third issue is that housing is fixed in particular locations, which means that homes come with neighbors, who may believe the value of their home will change when other homes are built nearby.

Fourth, housing is durable, meaning that most of us live in "used" homes, and changes in the supply of homes in a particular submarket, such as low-rent housing, come mostly from downward or upward filtering of existing homes rather than through new construction or demolition.

A fifth and final issue is that housing takes a long time to build and includes land, which is inherently limited in supply. In other words, it is difficult to increase supply quickly in response to growing demand, even absent regulations. All of these issues add complexity to the analysis of housing markets and our understanding of what drives rising rent burdens.

Contributors to Rising Rent Burdens

Multiple factors have contributed to the housing cost burden for households across the country. This section identifies a number of contributing causes. We group them into supply-side and demand-side factors.

SUPPLY-SIDE FACTORS

Restrictive Land Use Regulations

Zoning and other land use regulations allow communities the ability to shape development to meet current and future needs and to address externalities that land use or development can impose on the environment and on neighboring residents. Unfortunately, as economists like to point out, land use regulations also deserve some of the blame for higher housing cost burdens. The theory is simple: suppliers can't respond to increased demand for housing due to regulatory restrictions such as minimum-lot-size zoning, bans on multifamily housing, limits on subdividing existing homes, and caps on building permits. As a result, prices rise as competition grows for the limited supply of homes. It is difficult to prove these patterns empirically because data are limited and communities that adopt regulations are likely to differ in unmeasurable ways from those that do not. But there is mounting empirical evidence that these theoretical predictions play out in practice.

Zoning and other restrictions can limit the construction or density of new developments like this housing village.
Source: Michael Tuszynski/Pexels.

Reductions in zoning and other barriers to development make building new housing, like this multifamily development, more economically feasible. *Source: Andrei Stanescu/iStock Getty Images Plus*.

First, a number of studies show that cities with stricter land use regulations tend to have higher housing prices (Glaeser and Gyourko 2003; Gyourko and Molloy 2015). Second, some research shows that more stringent land use controls lead to less production and higher prices (Jackson 2016; Zabel and Dalton 2011; Glaeser and Ward 2009). Finally, statistical techniques like instrumental variables show that increased demand for housing results in greater price increases in the presence of greater regulatory restrictions (Hilber and Vermeulen 2016; Saks 2008). While most of the research focuses on how regulatory restrictions affect the prices of single-family homes, the same mechanisms are likely to help drive rents up. Indeed, regulations may restrict the supply of multifamily rental housing even further, given the popularity of restrictions on multifamily construction (Schuetz 2009).

In short, the preponderance of evidence suggests that housing production, prices, and rents respond to land use regulations in ways that economic theory predicts. Some evidence suggests that regulations have increased in prevalence and intensity since the 1970s, or at least they have become more binding, as the supply of undeveloped land shrinks. There is no national dataset that tracks all such constraints over time, but a number of empirical patterns suggest a rise in regulatory stringency. First, housing prices have risen far more rapidly than construction costs since around the 1970s (Gyourko and Molloy 2015). Some of this increase may be due to a scarce supply of land, but few markets face strict geographic constraints like mountains, oceans, or lakes (Glaeser and Gyourko 2017). Second, a few studies of individual metropolitan areas suggest that land use regulations are growing more restrictive. The share of suburban municipalities in the Boston metropolitan area that requires special permits for multifamily housing, for example, rose from one-third to two-thirds between 1972 and 2004 (Glaeser and Ward 2009; Schuetz 2009).

Much attention has been paid to building restrictions in exclusionary suburbs, but some argue that central cities are also adopting more restrictive land use regulations, by downzoning areas, imposing historic preservation requirements, and instituting more cumbersome approval requirements (Been, Madar, and McDonnell 2014; Mangin 2014; Schleicher 2013). The issue may owe less to changes in the regulations themselves than to more consistent and predictable enforcement, and to increasingly complex review processes that require more players to review and approve permits (Landis 2017; Been, Ellen, and O’Regan 2019).

It is worth pointing out that restrictions on development not only limit supply; they also shape the type of housing that gets built. When developers are allowed to build a limited number of homes, it is natural for them to target the luxury market where the per-unit profit margins are higher (Jacobus 2017). If developers could build more easily and regulations allowed additional growth, developers would still start with the luxury market, but they would then shift to lower-priced products as the luxury market became saturated and profits in that high-end submarket fell. To be sure, developers are unlikely to build new homes affordable to lower-income households without subsidy, but as long as they can profit economically, they would likely offer more modestly priced homes. Regulations may also discourage smaller builders, who target middle-market homes, from entering the market, because regulations make the construction process riskier, longer, and more expensive (Schuetz 2020).

In sum, supply matters, and poorly tailored land use regulations can restrict supply in ways that affect housing prices. That said, the growing stringency of land use regulations is a simplistic explanation for the full scope of the rental housing crisis. Among other limitations, it fails to explain rising rent burdens in cities like Cleveland and Detroit, which have double-digit vacancy rates. The rest of this chapter explores how other factors besides land use restrictions contribute to the housing affordability crisis.

Local Politics

In the aftermath of World War II, the United States suffered from a shortage of housing as acute as the one we face today, or even more so. During those years, the solution was simple: construct more housing by creating new suburbs where there were no existing residents to object. Such outward growth is no longer tenable in many cities, however, given the unsustainable commutes and emissions it would produce. The solution to the housing shortage of the 21st century requires developing more densely in places where people already live. And in many cities, towns, and counties, if zoning changes or special use permits are required to make the housing economically viable, neighbors and the general public will necessarily have a say in the review processes.

A key challenge facing proponents of denser housing construction, as many have pointed out, is that the benefits of new housing developments are likely to be widely distributed, while the costs, in the form of congestion and alteration of neighborhood character, are borne by nearby residents. As a result, potential losers are far more motivated to block development than potential winners are to advocate for it. This imbalance is magnified by the fact that the potential losers already live and vote in the community, while most of the potential winners do not. Incumbent residents have two key advantages: they have better access to information about new developments, and they have greater sway over local officials. Zoning and planning board meetings are dominated by local residents contesting growth; developers tend to be the lone voices supporting new housing proposals. Indeed, Einstein, Glick, and Palmer (2019) maintain that the impact of land use regulations may come less from their substance than from the procedural opportunities they provide for legacy residents to oppose new development. In some cases, legacy residents also have more resources to fight development and more time if they are retired or work part-time.

Further, community resistance and activism can broaden the coalition of opponents when some renters and their advocates join the chorus opposing development (Been, Ellen, and O'Regan 2019; Hankinson 2018; Mangin 2014). They may express concern that new development will create demand from more households that could trigger or exacerbate gentrification in the immediately surrounding neighborhood. Renter concerns are particularly salient in neighborhoods that have seen rapidly increased rents and home prices, changes in the racial and ethnic composition of neighborhoods, and aggressive efforts to depopulate existing buildings so they can be repositioned for a higher-income clientele. The possibility of displacement in such situations—and the related political obstacles to new development—are especially acute in cities, towns, and counties that did not adopt protections against displacement early in the cycle of neighborhood change. That said, limiting the supply of housing is unlikely to help. Recent research suggests that new housing does not increase prices and rents on surrounding blocks (Asquith, Mast, and Reed 2019; Li 2019).

Limited Land

Another potential contributor to increased rents and home prices is limited land. As more households—in particular college-educated households—move to desirable urban and suburban areas, they bid up the price of land and housing. Given that the supply of land in those areas is fixed, there is a limit to how much rezoning can expand the supply by allowing additional density. Albert Saiz (2010) shows that new construction is more limited in cities with natural barriers to expansion because they are bounded by mountains, oceans, or lakes.

Even if land use restrictions are relatively lax, the marginal cost of building in built-up areas with limited land will be higher than it is in lower-density areas, owing both to higher land costs and the higher per-unit costs of constructing taller buildings. In higher-density areas, builders will need to construct steel-frame or reinforced-concrete structures, incorporate elevators and structured parking, pay higher insurance costs given the greater risk of injury to workers, pay for heavier equipment like cranes, and potentially limit their working hours in order to avoid bothering neighbors. When development costs are higher, fewer projects are economically feasible, limiting supply; if supply does not meet rising demand, prices rise.

Growing Involvement of Financial Entities

Some argue that the growing cost of housing over the past few decades is due less to limited supply and more to the increasing appetite of global investment firms for housing (Aalbers 2016). The argument is that while "financialization" brings more liquidity into the housing market, the shift from housing as a consumption good to housing as an investment may also lead to pressure for higher profits and thus higher rents (United Nations 2017). These investments may have accelerated in the wake of the financial crisis in the early 2000s, as private equity and investment firms have bought up large numbers of foreclosed homes to operate as rental properties. Consider that the Blackstone subsidiary, Invitation Homes, owned 82,500 single-family rental homes in 2019 (Mari 2020). New evidence suggests that foreign purchases of U.S. residential real estate have also increased over the past decade and led to higher prices (Gorback and Keys 2019). But we need more research to fully understand the extent of such investment and its impact on local housing markets.

Lack of Innovation and Competition in the Construction Sector

Another potential contributor to limited supply is inadequate innovation in the construction sector. While we are seeing new forms of technology arise in many markets, from computers to transportation to light bulbs, there has been relatively little corresponding innovation in the construction and delivery of housing. We still build homes the same ways we did decades ago, and we generally still build the same types of homes. Innovation may be essential to boosting construction to the levels needed to moderate price and rent appreciation. Of course, local regulations, and building codes in particular, play some part in hindering innovation. But the industry itself has been slow to develop new forms of housing, new ways of building, and new development models.

Modular construction, which allows developers to build more quickly and with fewer risks, holds significant promise. The price of materials is more predictable, and the greater consistency in the finished product means that fewer problems need to be addressed later. In addition, because modular units are built in a factory, developers must contend with fewer weather delays and enjoy lower security costs since they do not need to spend as much time on-site. That said, the cost advantages of modular construction may be more limited in the case of infill multifamily housing, given high transportation costs, the challenge of stacking boxes, and the limited availability of times when large cranes can operate in an urban setting. Another challenge is the need to keep factories busy enough through real estate cycles to realize savings over more flexible site-built methods (Fisher and Ganz 2019).

The housing industry has also failed to provide new types of housing units, though some recent experimentation with microunits and homes designed to accommodate multigenerational living could lay the groundwork for bolder shifts in the future. Tastes change, and many people faced with higher housing costs may opt for different types of shared living arrangements. These could range from accessory dwelling units on single-family parcels to multifamily buildings with small individual units and shared facilities (e.g., microunits or dormitory-style housing). Further, as people age they may want to remain in their homes and communities but use their space differently. Certainly, the housing industry should be able to create homes that offer greater flexibility in living arrangements.

Developers tend to follow tried-and-true business models. In high-cost areas, for example, where demand outpaces supply, developers usually focus on meeting the demand of higher-income households rather than seeking a similar profit by building a larger number of units aimed at households with more moderate incomes. Although this approach is understandable in light of regulations, local opposition to higher-density development, and the already high levels of risk involved in any real estate development, it can reduce the available supply and target that supply at higher-end populations.

It is not clear why the industry has been slow to adopt new housing types and development models.

A modular home stands ready for assembly in a factory at the Brooklyn Navy Yard. *Source: Robinproll/CC BY-SA 4.0/ Wikimedia*.

Regulatory restrictions, variation in local building codes, and resistance from community members and construction trades may hinder innovation. More fundamentally, a lack of competition may be a part of the explanation. Construction involves fairly large fixed costs, so it might be more difficult for new firms to break into the building industry than it is for start-ups in other sectors.

Indeed, recent research suggests that the home-building industry has become more concentrated in the past decade. Cosman and Quintero (2019) estimate that in the median local market the number of firms building 90 percent of homes fell from six in 2006 down to just four 10 years later. Facing less competition, developers have tended to build fewer homes and charge higher prices. If developers face little competition, they have little incentive to reduce construction costs or pass reductions on to residents.

There are a number of explanations for this growing concentration, including the large number of bankruptcies among small firms after the housing market crash, changes in federal tax policy favoring large builders, and the rising complexity and uncertainty of local permitting processes. It is also possible that higher housing and land costs could be a cause of industry consolidation rather than an effect.

Failure of Federal Assistance to Meet Growing Needs

Over the past few decades, federal housing assistance has failed to expand to match growing needs. Between 1993 and 2016, the number of households receiving rental housing subsidies (public housing, privately owned HUD-assisted housing, and housing choice vouchers) rose modestly, from 4.1 million to 4.7 million. But the number of low-income renter households grew by far more, from 22.0 million to 27.9 million (Kingsley 2017). As a result, the number of low-income households that face housing challenges rose during this time period. HUD estimates that the number of unassisted, low-income households spending more than half of their income on rent and/or living in inadequate housing rose from 6.0 million to 8.3 million just between 2005 and 2015 (Watson et al. 2017).

Steady or Rising Operating Costs

Another factor that keeps rents high is the fact that the costs of operating and maintaining a rental building rarely decline. Many operating costs are sticky, even in stagnating economies, including insurance, property taxes, and utilities (Mallach 2019). Technological innovations to reduce any of those costs is limited. Further, the cost of maintaining and operating properties goes up over time as their systems and structures age. Landlords need to cover the operating costs on the buildings they own. If they can't do so, it makes no sense to rent those properties.

DEMAND-SIDE FACTORS

Loss of Middle-Skill Jobs

Demand-side factors play a role in rising rent burdens as well. Indeed, the affordability crisis in legacy cities like Detroit and Cleveland may be more about declining incomes than about rising housing costs. Consider that in Detroit the median income of renters fell by 20 percent in real terms between 2000 and 2016. Similarly, in Cleveland the median income of renters fell by 12.7 percent between 2000 and 2016.

A key culprit is the disappearance of manufacturing and other middle-skill jobs. As David Autor and other economists have shown, automation of routine work and, to a lesser degree, growing international trade have led to a polarization of the labor market into relatively high-skill, high-wage jobs on the one hand and low-skill, low-wage jobs on the other. Opportunities in middle-skill jobs have shrunk. This has translated into strong wage growth for skilled workers in technical and managerial professions, but stagnant wages for workers without college degrees. For example, while real U.S. wages for men with advanced degrees rose by 26 percent between 1979 and 2007, real U.S. wages for men with only high school degrees actually fell by 12 percent (Autor 2010).

Rising Income Inequality

The rising concentration of income and wealth at the top of the distribution can make housing more expensive for those with lower incomes and wealth. As the number of high-income and high-wealth households grows and incomes and wealth increase at the high end of the distribution, affluent households will compete for existing homes and bid up housing prices and rents. As noted earlier, if supply fails to meet the growing demand, the rent and price increases will persist and squeeze the budgets of middle- and moderate-income households. Gyourko, Mayer, and Sinai (2013) and Matlack and Vigdor (2008) offer some evidence for this phenomenon.

Also, with the disappearance of the middle class and the widening of the gap between the incomes of the rich and poor, developers no longer see as big a market for new homes affordable to middle-income households. Instead, they build more new homes for those with very high incomes. It takes longer for these high-end homes to age and filter down to become affordable to lower- and moderate-income households (O'Flaherty 1998). In other words, the widening gap between the rich and the poor means fewer hand-me-down homes for lower-income households and higher rents (owing to limited supply) for the few older, lower-tier homes that are available.

Preference for Larger Homes

It is important to acknowledge that part of the reason households spend more of their incomes on housing today is that they are living in larger and higher-quality homes. The average renter lived in a home with 1.7 rooms per person in 1960 and more than 2.5 rooms per person in 2016. (Bathrooms and hallways are excluded from room count.) This amounts to a 47 percent increase in rooms per person. And this shift was not driven just by the highest-income renters living in more spacious homes. The average renter in the bottom quintile of per capita income went from living in a home with 1.4 rooms per person in 1960 to 2 rooms per person in 2015. While we might expect households to prefer larger homes as incomes rise, the sizes of U.S. and Canadian homes lead the pack among member countries of the Organization for Economic Cooperation and Development (OECD). According to OECD statistics, in 2017, the average household in the United States lived in a home with 2.5 rooms per person, households in the United Kingdom lived in homes with 2 rooms per person, and those in Sweden and France lived in homes with 1.8 rooms per person.

Contemporary homes in the United States not only have a larger number of rooms than they did a few decades ago; they also have more square footage. According to the Census Bureau, the average new single-family home grew from 1,660 square feet in 1973 to 2,426 feet in 2017 (U.S. Census Bureau 2017a). Meanwhile, the average size of U.S. households has grown smaller, falling from 3.01 people in 1973 to 2.54 people in 2017 (U.S. Census Bureau 2017b). In other words, the average U.S. household has enjoyed an increase in the amount of space per person.

Since 1973, the biennial American Housing Survey (AHS) has asked households about housing quality: structural deficiencies; plumbing, heating, and electrical system breakdowns; and the presence of rodents. All the indicators suggest that quality has improved over time. For example, according to the respondents, the share of units with holes in the floor fell from 2 percent to less than 1.5 percent, and the share with exposed wiring fell from 4 percent to 2.9 percent.

Starting in 1985, the Census Bureau combined these data into a summary index that identifies units that fail to meet a standard of adequacy. In 2015, the share of units that were deemed to have moderate or severe problems was 5.7 percent, down from 8.4 percent 20 years earlier. Meanwhile, homes have arguably grown more comfortable: air conditioning was present in 89 percent of homes in 2015, up from less than half in 1973 (Eggers and Thackeray 2007; U.S. Census Bureau 2015).

Renters and homeowners alike are choosing to live in larger homes even as the size of U.S. households has diminished. *Source: icholakov/iStock Getty Images Plus*.

To be clear, these metrics do not capture all aspects of quality. They probably describe physical deficiencies reasonably well, but they fail to account for toxins and allergens like lead paint, mold, or other housing conditions that exacerbate respiratory ailments like asthma. The proportion of homes with lead traces has fallen over time, but lead remains a serious concern, and we do not know whether mold and other toxins are becoming more or less common.

In summary, the data suggest that households in the United States live in larger homes with fewer physical deficiencies than they did several decades ago. While affordability has deteriorated, quality appears to have improved. It is worth underscoring that not all households have enjoyed these improvements, and many low-income households still live in substandard housing.

Census data show that the increase in rooms per person was concentrated during the 1960s and 1970s and then during the housing boom between 2000 and 2007. The first period of growth in home size likely reflects both rising incomes and suburbanization, as cheaper and readily available suburban land allowed for larger homes. The second period of growth mirrors the overall investment in housing between 2000 and 2007, as well as a strong economy. As incomes grew, and mortgage credit became more available, people chose to purchase more privacy through larger homes. The mortgage interest deduction likely accelerated these trends because it encourages households to take out larger mortgages and buy larger homes (Hanson 2012).

It is also possible that the prices of other key goods fell during these periods, leaving room for households to spend more on housing without reducing other consumption. The evidence does not support this idea, however. On the one hand, technology and trade have reduced the price of clothing, food, and consumer technology. On the other hand, the typical U.S. household is more dependent on automobiles and thus must spend more on gasoline (the price of which fluctuates widely). Further, the rising cost of health care has outpaced inflation (Bureau of Labor Statistics 2006). So it is not at all clear that households have more money left over to pay for housing after paying for other critical consumption.

Changing norms about the appropriate size of a family home also may have shifted over time. Larger homes may complement the growing tendency to “helicopter” parent. Larger homes make it possible for children to spend more of their leisure time at home, under the watchful eyes of their parents. Rising income inequality may contribute to these shifting norms, if norms tend to be set by the top part of income distribution. Keeping up with the Joneses requires more spending if the Joneses are now earning twice as much as you do rather than just 20 percent more. Finally, housing code regulations designed to enhance safety also drive up prices and block developers from subdividing large, single-family homes to serve lower- and moderate-income households. Further research should explore the economic, regulatory, and sociological roots of these shifts.

To the extent that people are choosing to spend more of their income on housing, policy makers might not be too concerned. But those choices impose external costs. First, they shape the composition of the housing stock available to pass down to future generations of home buyers and renters. If today's new homes are larger than they used to be, older homes will be larger and more expensive tomorrow. Second, most large homes use more energy than smaller homes, with negative consequences for the environment. Third, it is possible that restrictive housing codes and regulations and federal mortgage subsidies are driving some size and quality improvements, which would bring home size back into the realm of public policy.

There are many external costs associated with the preference for larger homes, including a higher-priced housing stock for future generations and increased energy costs to heat homes. *Source: IP Galanternik D.U./iStock Getty Images Plus.*

CHAPTER 4

Government Policy Responses

All levels of government can take action to increase the production and supply of affordable housing. *Source: Jens Behrmann/Unsplash.*

Given the broad market forces at work in the growing affordability crisis, some may ask whether there is anything government can do to make a difference and ease the burden. The short answer is yes—there are critical steps that government at all levels can take, as detailed in this chapter.

Federal Policies

Many analysts focus on federal policy as a vehicle for increasing housing affordability. For example, many proposals seek to modify the mortgage interest deduction to redirect benefits from the highest-income homeowners to others with greater needs. Proposals include using savings from the reduced mortgage interest deduction to make housing vouchers an entitlement (Hertz 2016), providing a mortgage credit that provides tax benefits to homeowners of all incomes (Fischer and Huang 2013), and expanding the National Housing Trust Fund and other rental affordability vehicles (United for Homes 2017).

Other proposals include a federal renter's credit (Fischer, Sard, and Mazzara 2017), an increase in the federal minimum wage to put more money in workers' pockets (Cooper 2017), and an expansion of the earned-income tax credit to include an implicit housing benefit (Stegman, Davis, and Quercia 2003). Others urge higher spending for existing federal programs, including the housing voucher program and public housing.

Strong cases can be made for many of the proposals to realign federal tax policy to better support low- and moderate-wage workers and for raising the minimum wage. But while these approaches would undoubtedly improve housing affordability and help reduce inequality, they are not panaceas. Most important, they would not generate the increases in housing supply necessary to prevent housing costs from rising in high-demand areas. Indeed, in a supply-constrained market, a sharp increase in the minimum wage could even lead to higher rents that consume much of the benefits to low-wage workers, as workers are called upon to spend some of their higher wages on housing.

Since the 1990s there have been a number of proposals to expand the federal role as a producer of new affordable housing units. But aside from a few small wins, these efforts have been largely unsuccessful. This could certainly change in the future if Congress and a new U.S. president were to develop and enact federal policies to increase production of affordable housing. But unless and until there is a major shift in federal policy to support a sizable expansion of federal resources for affordable housing, the current status quo is likely to continue. In any event, federal action—while necessary—is not sufficient to fully solve the problem.

Streamlining Federal Requirements to Support Local Efforts

In addition to providing additional funding, federal agencies could contribute to local efforts by simplifying their procedures. The federal government is the largest funder of affordable housing, but its funding comes in many different forms, each of which has its own program rules and requirements. This fragmentation complicates and adds expense to the task of developing dedicated affordable housing, which often requires the combined use of multiple funding sources. For example, putting together the required capital for a dedicated affordable housing project can entail extended negotiations and accommodations to meet all of the (sometimes inconsistent) regulatory requirements. The need for signoffs by the administrators of multiple funding sources can also raise costs by delaying payments to contractors.

Even when a project relies on a single funding source, program requirements can add to the cost. For example, ensuring compliance with IRS regulations for the low-income housing tax credit often requires employing high-cost legal and accounting experts.

A Race to the Top?

It would be useful to explore how federal or state policy could create incentives for local governments to adopt stronger local housing policies. One approach could be a "race to the top" that rewards localities for achieving specified performance targets, such as increasing the rate of housing production in places where demand is greatest.

It would admittedly be challenging to develop performance targets that accurately reflect local conditions. Another challenge is that this approach would represent a significant shift in the nature of the federal role in housing. To date, the federal government has primarily funded housing subsidy programs and regulated how federal funds are spent. Two exceptions developed in the early 2010s are the Regulatory Barriers Clearinghouse, a HUD resource that provides guidance on promising local housing policies; and the Sustainable Communities Initiative, which funds regional and local equity planning.

An additional or alternative approach that is more in line with these past approaches would be to fund high-quality technical assistance to help localities develop effective local policies.

State Policies

State governments also play an important role in facilitating and prodding local action. For example, some states have created systems that allow developers to appeal the denial of local zoning approvals. Others have passed legislation that authorizes local governments to grant tax abatements or adopt inclusionary zoning or other important tools (or in some cases to deny local governments those powers, thereby worsening the problem). The state planning function can also be helpful—for example, by requiring local governments to include a housing element in their comprehensive plans and even giving localities and regions housing affordability targets they need to hit. States also act directly to distribute low-income housing tax credits according to priorities they develop through the Qualified Allocation Plan (a federally required document that outlines how they will allocate low-income housing tax credits to developments). Some provide additional state resources through state housing tax credits.

Local Policies

Even as policy makers and advocates urge greater action by the federal government, we recommend that local policy makers, practitioners, and advocates focus on the steps that municipalities could take now to increase housing affordability and address other local housing priorities.

Ultimately, many of the conditions that affect housing production are determined not by the federal government but by local governments operating according to state law. Local governments set the zoning rules that determine how many units can be built on a given piece of land and how many conditions landowners and developers must meet for permission to build at an economically viable density. Local government thus possesses the critical tools required—in combination with federal and state efforts—to ease the supply shortage and facilitate the development of more housing units.

Local governments also have a range of other powers and capacities that can make a material difference in encouraging and facilitating the development and preservation of lower-cost housing. These include the ability to provide tax abatements and credits to owners and builders who renovate and create affordable housing; reform building and housing codes and streamline the permitting process to facilitate new development; and require or create incentives for affordable housing through inclusionary zoning, density bonuses, reduced parking requirements, and other means. Local governments also usually have some discretion to determine how best to use the different federal and state housing subsidy funds they receive. This discretion makes sense given that local government officials are more familiar with local needs and market conditions than those working in higher levels of government.

Local governments cannot solve the nation's housing problems on their own; there will always be a need for federal resources to help the lowest-income households afford their housing costs, and there are important roles for state government as well. But local government leaders are uniquely positioned to weave together federal and state funding streams and complement them with local revenue sources, regulations, administrative reforms, and tax policies to build a broad-based, effective local housing strategy. Accordingly, this report focuses primarily on outlining tools and an approach that can be used by local governments to address their housing challenges more effectively and comprehensively.

Ultimately, then, action is needed at the federal, state, and local levels to substantially increase housing affordability. Affordable housing developers and the private sector—especially developers and lenders—also need to work to increase the overall stock of housing and expand dedicated affordable housing in particular.

Local housing strategies are not a substitute for state and federal action, but they do provide a strong foundation for progress. Moreover, localities have a number of tools at their disposal that do not need the approval of any higher level of government to move forward. They can act *now* to put in place an approach that leads to important progress.

CHAPTER 5

The Critical Role of Local Governments in Housing Policy

Local governments and housing officials can craft local housing strategies that improve affordability of single-family homes and apartments like these in Brooklyn, New York City. *Source: cmart7327/iStock/Getty Images Plus.*

Given the power of local government action to address the housing affordability crisis, the local role is surprisingly undefined and inadequately supported. There is no consensus on what a local housing strategy entails or even that every community should have one. In contrast to the broad network of advocates, think tanks, and researchers focused on federal housing policy, only a handful of organizations focus on helping local governments develop more effective local housing strategies. There is also very little formal research evaluating which local housing strategies are most effective.

The mismatch between the critically important role of local housing policy and the underpowered system of support for it is aggravated by the extreme complexity of local housing policy. We have identified more than 80 local policies from which local governments can craft a local housing strategy. Local housing officials, city council members, and mayors need a roadmap to navigate these many options and determine which work best for their community.

Six Principles for Local Housing Policy

In an attempt to better define the local government role and develop evidence-based guidance for local leaders, in 2015 the authors convened a community of practice on local housing policy consisting of 14 leading experts from around the country, most of whom work in high-cost cities. The core working group included a city council member, current and former city housing commissioners, private and nonprofit developers, lenders, community development intermediaries, consultants, and community leaders.

The community of practice identified six big-picture principles to define and guide local policy makers:

LOCAL HOUSING POLICY MATTERS

Although broad macroeconomic forces, such as rising inequality and stagnant wages among workers without a college education, contribute to the affordability crisis in local areas, there is much that localities can do to improve affordability. Indeed, local governments are better positioned than other levels of government to lead the efforts to address their housing challenges.

EVERY COMMUNITY SHOULD HAVE A LOCAL HOUSING STRATEGY

By local housing strategy, we mean a set of clearly articulated steps that a local jurisdiction plans to take to achieve a set of clearly defined housing objectives. While nearly all cities and counties have one or more policies that affect housing affordability and other housing outcomes, most have not developed a formal housing strategy. As a result, their policies tend to be disparate and uncoordinated, and there are often important gaps in the overall solution set. Of course, not all communities have the same capacity. Communities relatively new to housing policy are likely to have shorter, less complicated strategies. Local housing strategies can also be iterative and expand over time. The important thing is to begin the process of developing a formal strategy with clearly articulated goals, policy tools, and metrics for measuring progress.

While there may be some overlap, a local housing strategy is not the same as the federally mandated “consolidated plan” or the housing element of a locality’s “general” or “comprehensive plan” (a planning document required by many states). HUD’s consolidated plan focuses primarily on approaches for using certain federal housing and community development funds, which represent only a small portion of the solution set available to local governments. The housing elements in a locality’s general or comprehensive plan do include local government tools, but they too are limited in their breadth, often focusing primarily on local zoning and permitting policy.

LOCALITIES SHOULD DEVELOP COMPREHENSIVE APPROACHES THAT REFLECT THE POLICIES OF MULTIPLE LOCAL AGENCIES

There is no magic bullet that will, through a single policy, solve a community’s housing challenges. Instead, communities should take a comprehensive approach that engages the full set of tools available to local governments. A strategy that employs only the tools available to the local housing department but fails to use those administered by the public housing authority, the planning department, the local tax authority, and the zoning commission would not be comprehensive. Similarly, a strategy that only involves subsidies for dedicated affordable housing would be less comprehensive than one that combines subsidies with tax incentives, land use regulations, and permitting reforms. Coordination can be difficult, but because the housing challenges in most jurisdictions are multifaceted and complex, local governments that bring to bear multiple tools in tackling their housing issues are likely to make more substantial progress.

Coordination across the many local government agencies with responsibility for housing is complicated by different cultures, goals, constituencies, and budgets, as well as by simple inertia. In some cases, agencies must compete for scarce budget resources or disagree about which agency will take the lead. In many communities, the public housing agency—a creation of state law—is left to pursue its own strategies without substantial coordination with city-run agencies. But interagency coordination is essential to progress in housing (as in many other social policy areas), and cities and counties will need to work at developing strong working relationships across agencies and coordinated approaches that streamline access to funding—for example, by making multiple funding streams available through a single application—and take advantage of synergies between agencies. Coordination and collaboration can be facilitated by strong leadership from a deputy mayor or a chief housing officer, as well as by off-site retreats and other efforts to build interpersonal relationships and trust among senior officials in the different agencies.

LOCAL HOUSING STRATEGIES SHOULD BE BALANCED

Balanced housing strategies are those that address a range of housing challenges, rather than a single narrow one. Focusing on the full range of needs is important for maximizing both the political acceptance of a local housing strategy and the likelihood that a community's strategy will succeed.

For example, a balanced approach to development in a high-cost city should include both (1) building and preserving dedicated affordable housing units; and (2) increasing the overall supply of housing. Local housing strategies should similarly work to (1) expand the resources available in low-income areas and communities of color; and (2) develop affordable housing in resource-rich areas. Local housing strategies should focus on both rental housing and homeownership and include efforts to protect residents from displacement while accommodating growth.

Localities may legitimately worry about taking on too many issues at once, but an approach that focuses too heavily on one component to the exclusion of others will be unlikely to solve the multifaceted problem of housing affordability. For example, many communities with rapidly rising rents are working to expand the stock of dedicated affordable housing with rent or income restrictions. But if they do not simultaneously work to increase the overall supply of housing, rents and home prices will continue to rise faster than incomes, reducing affordability for the majority of residents without a housing subsidy and making the production of dedicated affordable housing more expensive as well. Similarly, a community that focuses only on expanding the overall supply of housing without also producing dedicated affordable housing will not be able to provide housing that the lowest-income households can afford. Both goals need to be tackled simultaneously.

In addition to the policy imperative of a balanced housing strategy, there is also a political imperative. A strategy that addresses multiple goals should be able to attract support from the developers and builders who expand the overall supply of housing as well as from the affordable housing and equity advocates who aim to expand and preserve the stock of dedicated affordable housing. This will facilitate an alliance among stakeholders that enhances communities' ability to enact needed reforms and programs. Similarly, a strategy that focuses both on producing dedicated affordable housing in higher-income and integrated neighborhoods and increasing the resources available in low-income communities has the potential to gain support from a broad coalition of fair housing, community, and equity advocates. A strategy that facilitates growth without providing protections against displacement for vulnerable residents will face greater political obstacles to adoption and may fail to achieve the key goals of housing justice and racial equity.

ENGAGE A DIVERSE GROUP OF COMMUNITY STAKEHOLDERS TO HELP LOCALITIES DEVELOP EFFECTIVE, SUCCESSFULLY IMPLEMENTED STRATEGIES

Transparent and honest community dialogue promotes greater understanding of community needs and of government constraints and trade-offs. Local officials should solicit input from community members—especially people of color, low-income people, and marginalized groups—at the start of the process; their inclusion will produce a stronger local housing strategy and help prevent delays during implementation. Investment in community engagement also improves the long-term government-community relationship for future planning processes.

The participation of a diverse group of community stakeholders can help clarify the specific challenges facing residents and reveal the historical context of past attempts to address them. All policies will not work equally well in all locations, and this type of community input can help identify the types of policies that are most needed and most likely to succeed. Open dialogue can also foster acceptance of policies that might otherwise be regarded with suspicion. For example, neighborhood residents who fear gentrification and resist upzoning to allow higher-density development might be open to it if strong renter protections and affordable housing preservation efforts are established first.

LOCAL HOUSING STRATEGIES SHOULD INCLUDE MEASURABLE GOALS AND A PROCESS FOR REPORTING TO ENSURE ACCOUNTABILITY

Some cities have adopted goals tied to the overall number of housing units created or affordable units produced. Such big-picture numerical goals help measure and describe progress and are simple for policy makers and the public to understand. But they often miss important nuances such as the size of the units, the specific income levels of the households that can afford to live in them, and the proximity of the units to high-performing schools and public transportation. Moreover, using only production counts to drive housing policy overlooks the value of providing vouchers and other assistance to renters that help them afford homes on the private market and remain in them even when they encounter crises like job losses and medical emergencies. Adopting a *set* of goals rather than a single target provides a clearer picture of a community's progress.

Local Housing Policy Framework

The Community of Practice developed a policy framework designed to clarify the policy choices available to local governments and help them develop comprehensive and balanced local housing strategies. The framework includes policies typically adopted directly by city or county governments, as well as policy options available to public housing agencies and policy models used by nonprofit development organizations and other mission-driven developers. This inclusive approach emphasizes the importance of broad-based collaboration between entities operating at the local level. Comprehensive approaches that include a broad set of tools are more effective than siloed approaches by individual government agencies.

A policy framework will not, by itself, transform the task of developing a local housing strategy into a simple or automated process. Local housing policy is and will remain a complex subject that can be difficult for local communities to fully address. A policy framework can serve to clarify the options available to local governments, help them compare policies that are designed to achieve similar outcomes, and identify gaps that need to be filled in their housing strategy.

A comprehensive local housing strategy should include policies from each of the following four main categories.

CREATE AND PRESERVE DEDICATED AFFORDABLE HOUSING UNITS

These policies aim to create or preserve housing with rents or home prices that are legally mandated to be affordable to low- or moderate-income households. They provide incentives and requirements to include affordable units in new developments; policies to generate revenue for affordable housing; and subsidies to facilitate the creation and preservation of affordable developments.

REDUCE BARRIERS TO NEW SUPPLY

The policies in this category promote affordability by making it easier for the private sector to build new homes. Although the homes created may be sold and rented at market rates, their creation promotes affordability by helping to satisfy the demand of higher-income households, which would otherwise compete for (and bid up the price of) existing homes. The regulatory barriers that these policies target—such as restrictive zoning and complex approvals—are a key reason why housing costs have increased faster than incomes in so much of the country.

HELP HOUSEHOLDS ACCESS AND AFFORD PRIVATE MARKET HOMES

This category includes demand-side subsidies, such as tenant-based rental assistance, which help households pay for the housing they locate on the private market. To ensure that all households have fair access to housing they can afford, this category includes efforts to enforce the fair housing laws. This category also includes down payment and closing cost assistance and other programs that help home buyers overcome obstacles to homeownership.

PROTECT AGAINST DISPLACEMENT AND POOR HOUSING CONDITIONS

This category includes policies that aim to help renters and homeowners remain stably housed in the face of rising rents, job loss, health crises, and poor housing conditions. Housing stability is particularly important for children and older adults. This category includes financial and legal assistance to help residents avoid eviction, regulations that protect against displacement, and programs to help homeowners avoid foreclosure. This category also includes code enforcement and rehabilitation assistance, policies intended to improve housing quality and prevent the loss of existing units to deterioration.

In addition to these four main pillars of a local housing strategy, the LocalHousingSolutions.org policy framework includes categories and subcategories outlined in chapter 6 that correspond to the different functions played by local housing policies. Localities can use the categories and subcategories of the framework as a self-assessment tool to determine if they have a comprehensive and balanced local housing strategy.

CHAPTER 6

Local Housing Policy Framework in Action

Cities and counties across the country can adopt a variety of policies to make communities like this one more affordable. *Source: bauhaus1000/iStock/ Getty Images Plus.*

As affordability pressures mount, many cities and counties around the United States are adopting promising new policies. Examples of such policies are organized under the categories of the LocalHousingSolutions.org policy framework (figure 7). The examples are illustrative only; similar policies are being implemented around the United States, often in different ways and at different scales. We continue to build the library of policy examples on LocalHousingSolutions.org.

Figure 7
LocalHousingSolutions.org Policy Framework

1 Create and Preserve Dedicated Affordable Housing Units

a. Establish Incentives or Requirements for Affordable Housing
b. Generate Revenue for Affordable Housing
c. Support Affordable Housing through Subsidies
d. Preserve Existing Affordable Housing
e. Expand the Availability of Affordable Housing in Resource-Rich Areas
f. Create Durable Affordable Homeownership Opportunities
g. Facilitate the Acquisition or Identification of Land for Affordable Housing

2 Reduce Barriers to New Supply

a. Reduce Development Costs and Barriers
b. Create Incentives for New Development

3 Help Households Access and Afford Private Market Homes

a. Provide Tenant-Based Rental Assistance
b. Promote Mobility for Housing Choice Voucher Holders
c. Reduce Barriers to Homeownership
d. Reduce Energy Use and Costs
e. Combat Housing Discrimination

4 Protect Against Displacement and Poor Housing Conditions

a. Enhance Renters' Housing Stability
b. Enhance Homeowners' Housing Stability
c. Improve Quality of Both New and Existing Housing
d. Ensure the Ongoing Viability of Unsubsidized Affordable Rental Properties

How Will Localities Fund Their Housing Strategies?

While the policy framework includes many policies that can be implemented with little or no new funding, a robust local policy response will normally require new sources of locally generated revenue. Evidence suggests that voters in many cities are prepared to support substantial local funding for affordable housing. We have identified 10 local policy options for raising revenue at the local level, described under category 1.b. of the policy framework (figure 7).

In recent years, many localities have substantially expanded their efforts to generate funding for affordable housing, including a $1.2 billion bond issue in Los Angeles County, California (2016); a $960 million bond issue in Santa Clara County, California (2016); and bond issues at or above $250 million in Austin, Texas (2018); Portland, Oregon (2016); and San Francisco, California (2015).

Medium-sized cities are also getting in on the act. In 2019, for example, Durham, North Carolina, passed a bond issue for $95 million. All of these general obligation bond issues were approved by voters and paid for by incremental increases in local property taxes.

Other local revenue sources include, for example, real estate transfer taxes, tax increment financing, and taxes and fees that supplement regulatory efforts to limit short-term rentals and nonresident purchasing of luxury housing.

Create and Preserve Dedicated Affordable Housing Units

This policy category includes seven subcategories. We summarize and provide examples of each.

ESTABLISH INCENTIVES OR REQUIREMENTS FOR AFFORDABLE HOUSING

Policies in this subcategory create incentives and requirements for local developers to build dedicated affordable housing or include dedicated affordable housing units within a mixed-income or mixed-use development. Specific policy options include density bonuses, expedited permitting or reductions in the minimum number of parking spaces required for qualified developments, reduced or waived impact fees, tax abatements or exemptions, and inclusionary zoning.

Density Bonuses The zoning code in Arlington, Virginia, allows developers to build at higher densities for projects that provide housing for low- or moderate-income households. One argument for such a density bonus is that higher-density housing adds value for the landowner; requiring that a share of units be affordable as a condition for increased density allows the locality to capture for the public good a portion of the value it creates, while still allowing owners to profit. Allowances under Arlington's density bonus include increased residential density and building height (up to six stories or 60 feet above the height ordinarily permitted). Density bonuses are determined on the basis of the share of low- or moderate-income units to be provided, the location and size of those units, the amenities to be provided for low- and moderate-income residents, and other factors. Affordable units must remain available for at least 30 years or as approved by the Arlington County Board.

GENERATE REVENUE FOR AFFORDABLE HOUSING

Policies within this subcategory generate funds that cities or counties can use to support development of dedicated affordable housing. Options include housing trust funds, linkage fees (so called because they link the production of market-rate real estate to the production of affordable housing), demolition taxes and condo conversion fees, general obligation bonds, nonresident taxes, taxes on short-term rentals, transfers of development rights, and state tax credits.

Linkage Fees In 1983, Boston, Massachusetts, created its commercial linkage fee program, one of the first in the country when it was enacted into law in 1987. The fee is levied on all new commercial and institutional developments larger than 100,000 square feet and is assessed at a rate of $8.34 per square foot. State-enabling legislation restricts the use of Boston's linkage fee revenues to producing and preserving housing for low- and moderate-income households. Between 2004 and 2014, Boston's linkage fee collected an average of around $6.46 million per year.

SUPPORT AFFORDABLE HOUSING THROUGH SUBSIDIES

This subcategory includes direct and indirect subsidies to cover the gap between the costs of development and the level of borrowing supportable by affordable rents or home prices. Direct subsidy policies include low-income housing tax credits, capital subsidies for affordable housing developments, below-market financing of affordable housing development, operating subsidies for affordable housing developments, the attaching ("project-basing") of housing choice vouchers to specific buildings, and the acquisition and operation of moderate-cost rental units.

Project-Basing of Housing Choice Vouchers State and local public housing agencies have the option of attaching their federal housing choice vouchers to specific structures, providing an operating subsidy that allows families to pay only about 30 percent of their income for rent and utilities. Most project-based voucher programs are specific to a single jurisdiction, but the Regional Housing Initiative is a partnership that covers Chicago and Cook County as well as three neighboring counties and four cities. Through an intergovernmental agreement and a partnership with a variety of stakeholders, the jurisdictions pool project-based vouchers and maintain a centralized, regional waiting list. Vouchers are only attached to units located in "opportunity communities" of the

Boston's commercial linkage fee revenues are used for low- and moderate-income housing. *Source: Buzbuzzer/iStock Getty Images Plus*.

participating jurisdictions, often in the suburbs; they allow tenants to find affordable housing in low-poverty, resource-rich neighborhoods they would not normally have access to. The partnership has also helped to alleviate an employment-housing mismatch as jobs for lower-income workers have grown in suburban areas that typically lack sufficient affordable housing. Since January 2016, the initiative has been used to attach project-based vouchers to 546 units in 34 developments to make them affordable to very-low-income households (BRicK Partners LLC 2016).

PRESERVE EXISTING AFFORDABLE HOUSING

Many dedicated affordable housing units risk being lost because of the expiration of their affordability restrictions or the deterioration of their unit quality. Policies to keep these units affordable include granting to existing residents or the locality a right of first refusal to purchase an unsubsidized or dedicated affordable property if its owner decides to sell. Public housing agencies and private owners are also using a federal program called the Rental Assistance Demonstration to preserve the long-term viability of deteriorating public housing and multifamily affordable units.

Rights of First Refusal In New York City, an owner's decision to opt out of a rental assistance program triggers a 120-day period during which the tenant association (or other qualified entity) may purchase the property at the appraised value or match the price in a good-faith offer to purchase the property (Local Law 79 (2005), NYC Admin Code §§ 26-801 to 26-810).

EXPAND AFFORDABLE HOUSING IN RESOURCE-RICH AREAS

Policies in this subcategory seek to create and preserve dedicated affordable housing and expand the overall supply of rental housing and lower-cost housing types in resource-rich areas. For the most part, the policies in this subcategory are not new policies per se; they apply policies from elsewhere in the framework to developing dedicated affordable housing in resource-rich areas. This subcategory also includes regional collaboration to support development of affordable housing in resource-rich areas.

Preserve Dedicated Affordable Housing in Resource-Rich Areas Denver, Colorado, is working to preserve existing dedicated affordable housing in areas near transit stations and other neighborhoods where these units are threatened. Working with the Colorado Housing and Finance Authority (CHFA), the city has created an affordable housing inventory and identified properties in priority areas to target for preservation. The city and CHFA have contacted the property owners and identified resources to fund the acquisition and rehabilitation of the properties to keep them affordable after the current income restrictions expire, including the use of 4 percent low-income housing tax credits (City and County of Denver 2017). In addition, the City and County of Denver, CHFA, and Enterprise Community Partners have created the Denver Regional Transit-Oriented Development Fund in partnership with philanthropic organizations and commercial banks. The fund aims to create and preserve affordable housing near existing and planned transit stations in seven counties in the Denver region by providing flexible acquisition loan capital that enables qualified borrowers to act quickly and compete with private sector developers (Enterprise Community Partners 2020).

CREATE DURABLE AFFORDABLE HOMEOWNERSHIP OPPORTUNITIES

This subcategory focuses on creating a stock of affordable owner-occupied homes that remain affordable over time through resale restrictions. Optimally, the formulas governing these restrictions balance the need for long-term affordability with the ability of owners to build wealth. Policy options include community land trusts, deed-restricted homeownership, and limited equity cooperatives.

Community Land Trusts Champlain Housing Trust in Vermont (formerly Burlington Community Land Trust) is the largest community land trust in America, with approximately 565 owned units and over 2,200 rental units. Buyers purchase them at a below-market price and promise to resell the homes to other qualified purchasers through the trust at a price deemed affordable. Purchasers build equity in two ways: by paying down the principal balance of their mortgage and by recouping, at resale, 25 percent of any home price appreciation plus the value of their capital improvements. The balance of home price appreciation is used to keep the home affordable and in good condition for the next buyer. A study of the Champlain Housing Trust and several other shared equity models found that they effectively maintained long-term affordability while providing home buyers with a return on their down payment investment that was usually greater than what they would have received through the stock market or 10-year Treasury bonds (Temkin, Theodos, and Price 2010).

FACILITATE THE ACQUISITION OR IDENTIFICATION OF LAND FOR AFFORDABLE HOUSING

The final subcategory in this policy category focuses on policy options to facilitate the acquisition or identification of land for affordable housing, as high land costs make it difficult or expensive to develop dedicated affordable housing in many cities. Options include using publicly owned land, land banks, and affordable housing acquisition funds that give developers of affordable housing speedy access to capital in order to compete with private sector developers in high-demand regions. Joint development with transit agencies is another policy in this subcategory that can provide access to lower-cost land near transit stations.

Use of Publicly Owned Property for Affordable Housing Residences at Government Center is a 270-unit development in Fairfax County, Virginia, that received a 2017 Outstanding Project Innovation Award from the National Council for Public-Private Partnerships. The use of county-owned land helped make the project feasible, together with a combination of 4 percent and 9 percent low-income housing tax credits. Targeted to low- and moderate-income workers, the development is integrated into the Fairfax County government campus, utilizing an architectural style that blends well with existing buildings.

Reduce Barriers to New Supply

Policies in this category of the LocalHousingSolutions.org framework seek to expand the overall supply of housing to help supply keep up with demand. The two policy subcategories within this category are described here.

REDUCE DEVELOPMENT COSTS AND BARRIERS

By reducing development costs and barriers, cities and counties make more developments economically feasible and thereby increase the overall supply of housing. Policy options include zoning changes to allow for higher residential density; reduced parking requirements; zoning changes to facilitate the use of lower-cost housing types like multifamily, manufactured housing and accessory dwelling units; streamlined permitting processes; reforms to construction standards and building codes; housing rehabilitation codes that focus code requirements for rehabilitation on key safety issues without requiring the building to otherwise be brought fully up to code; streamlined environmental review processes; changes to increase the predictability of the regulatory process; reductions in impact fees and exactions; and increases in the supply of buildable land by expanding growth boundaries.

End Single-Family Zoning In 2018, the Minneapolis City Council voted to approve the Minneapolis 2040 Plan, a local comprehensive plan that announced the city's intention to remove the single-family zoning category from its zoning code and instead allow residential structures of up to three dwelling units in every neighborhood in the city (Trickey 2019). Minneapolis hopes that this change, along with the many other housing policies included in the Minneapolis 2040 Plan, will help to increase the supply and diversity of housing throughout the city.

CREATE INCENTIVES FOR NEW DEVELOPMENT

To expand the overall supply of housing, some cities and counties have adopted financial incentives to develop housing without specifying housing cost or income restrictions. In high-cost cities, such financial incentives are less common than policies designed to encourage the creation of dedicated affordable housing, but could spur the development of a particular type of desired housing, such as accessory dwelling units. Financial incentives could also make downtown redevelopment more attractive when the market is focused on suburban areas and encourage the construction of duplexes and triplexes in neighborhoods dominated by single-family housing. Policy options include tax incentives for new construction and substantial rehabilitation, land value taxation, and incentives to encourage the development of lower-cost housing types. Without specific controls on rents or home prices, such policies cannot ensure any particular level of affordability, but they should have an indirect effect on affordability through increases in the overall supply of housing.

Land Value Taxation In a pure land value taxation system, land is taxed according to its underlying value, irrespective of what is built on it, which creates a strong incentive for owners to develop their land intensively. Although few jurisdictions today have a pure land value taxation system, a number (particularly in Pennsylvania) have split-rate taxation systems that tax land at a higher rate than improvements. In 1975, for example, Harrisburg, Pennsylvania, adopted a split-rate tax system that taxed land at twice the rate of buildings on the land. Rates have been adjusted over time, and the difference has increased to a ratio of 6:1 (land tax rate to building tax rate). This approach has been credited by some with helping to revitalize the city, resulting in new investment in housing at higher densities, job growth and investment by employers, a sharp reduction in the number of vacant structures, and increased tax revenue for the city (for more information on land value taxation, see Netzer 1998; Bess 2018).

Help Households Access and Afford Private Market Homes

The third major category of policies in the LocalHousing Solutions.org policy framework focuses on helping people find and afford housing in the private market. Policy subcategories provide tenant-based rental assistance and policies to promote mobility for housing choice voucher holders, reduce barriers to homeownership, reduce energy use and costs, and combat housing discrimination.

PROVIDE TENANT-BASED RENTAL ASSISTANCE

Tenant-based rental assistance (TBRA) helps renters afford the housing that they locate on the private market. The largest TBRA program is the federal housing choice voucher program, which is administered by local and state public housing agencies. Localities and states also have the option of using funds allocated from the federal Home Investment Partnerships program for TBRA. Other policy options include using state or local funding for a TBRA program or for security deposit assistance and/or first- and last-month's rent.

State- or Local-Funded TBRA Since 2006, Home Forward (the public housing agency for the Portland, Oregon, metro area) has administered the Short-Term Rent Assistance program on behalf of Multnomah County, the cities of Portland and Gresham, and Home Forward. These entities contribute annual funding for the program, which was supplemented in 2009 with federal funds from the American Recovery and Reinvestment Act. The program differs from the federal housing choice voucher program in being time-limited—

it makes available rent assistance for up to 24 months for individuals and families facing a housing crisis. Eligibility is limited to households with incomes at or below 50 percent of the area median income, and assistance can be used for emergency hotel vouchers, rent payment and eviction prevention, and housing placement assistance. Assistance provided through the program can also be used to cover security deposits, application fees, move-in costs, and other supportive services (Home Forward 2011).

PROMOTE MOBILITY FOR HOUSING CHOICE VOUCHER HOLDERS

Without housing search assistance or higher rent subsidy standards that allow them to afford housing in higher-cost areas, many voucher holders end up renting in high-poverty neighborhoods. Policies to promote residential mobility help voucher holders find or pay for housing in higher-income areas that offer high-quality schools, good job access, and other important resources. Specific policy options include increasing voucher payment standards in high-cost areas, mobility counseling for voucher holders, and landlord recruitment and retention efforts.

Increased Voucher Payment Standards in High-Cost Areas Under HUD's new Small Area Fair Market Rent (FMR) policy, public housing authorities (PHAs) in certain regions *must* switch from a metropolitan-area FMR to a small-area FMR set at the ZIP code level, while PHAs in other regions have the option of doing so (U.S. Department of Housing and Urban Development 2016). Small-area FMRs have the effect of providing higher subsidies in higher-rent ZIP codes and lower subsidies in lower-rent ZIP codes, which makes living in higher-rent ZIP codes more feasible. The Housing Authority of Cook County (HACC) in Illinois began using small-area FMRs in 2013 as part of a HUD demonstration program. HACC volunteered to participate in the demonstration in order to increase voucher holders' access to resource-rich neighborhoods, promote fair housing, and strengthen an existing mobility counseling program. The PHA's service area covers 193 ZIP codes, within which rent levels vary significantly. Rather than establishing a separate payment standard for each ZIP code, HACC initially grouped them into 10 payment standard areas and has since expanded to 22 payment standard areas based on feedback from case workers and landlords. Initial evidence suggests that a shift from metropolitan-area FMRs to small-area FMRs increases the share of newly awarded voucher holders (and existing voucher holders who choose to move) leasing in higher-rent, resource-rich areas (Finkel et al. 2017).

REDUCE BARRIERS TO HOMEOWNERSHIP

By funding and providing homeownership education and counseling, local communities can help renters determine if and when they are ready to purchase a home and improve their ability to qualify for a mortgage. Shared-appreciation mortgages and assistance with down payments and closing costs can help low- and moderate-income renters afford to purchase a home. Cities and counties can also fund low-interest mortgages.

Shared-Appreciation Mortgages The City of Boulder, Colorado, offers borrowers up to $50,000 in down payment assistance (up to 15 percent of the value of a home) through a shared-appreciation mortgage under the House to Home Ownership (H2O) loan program. The funds must be repaid when the home is sold or after 15 years, whichever comes first, plus a share of the home price appreciation (City of Boulder Division of Housing 2015). These repayments replenish the city's funds, allowing the city to provide shared-appreciation mortgages to subsequent purchasers.

REDUCE ENERGY USE AND COSTS

Programs to reduce utility costs can have a significant effect in improving housing affordability. Policy options include increasing energy-efficiency standards to reduce the amount of energy consumed by newly developed housing and energy-efficiency retrofits to reduce the energy consumption of existing structures.

Energy-Efficiency Retrofits Oklahoma City's Green Home Loan Program provides low-interest-rate (3 percent fixed) loans of up to $15,000 for energy-efficiency retrofit projects. Homeowners can install new energy-efficient windows or doors, add insulation, and improve heating and cooling systems, among other options. The loans are available to homeowners within the city limits who have annual incomes below $100,000.

COMBAT HOUSING DISCRIMINATION

The final subcategory in this policy category focuses on preventing or redressing discrimination in the rental or purchase of a home. Cities and counties can help reduce housing discrimination by enforcing fair housing laws, providing education for real estate professionals and consumers, adopting laws that prohibit discrimination based on source of income or against other groups that are not protected by federal fair housing law, and providing legal assistance for victims of discrimination.

Source-of-Income Laws The city of Chicago passed an ordinance in 1990 that includes protection under fair housing laws for lawful sources of income. Because some city and state source-of-income laws across the country have been construed to allow owners to refuse to rent to participants in the federal housing choice voucher program, Chicago makes clear that its source-of-income protection extends to housing choice voucher holders.

Protect Against Displacement and Poor Housing Conditions

The final policy category in the LocalHousingSolutions.org framework focuses on policies that protect households from displacement and poor housing conditions. It includes four subcategories, which are summarized here.

ENHANCE RENTERS' HOUSING STABILITY

As discussed, one of the negative consequences of high housing costs is residential instability. Cities and counties can help to improve the stability of renters through a range of policies, including rent regulation, "just cause" eviction policies, protection from condo conversions, eviction prevention programs, and legal assistance for at-risk renters.

Legal Assistance for At-Risk Renters In 2017, New York City committed to pay for legal representation in housing court for all tenants who are facing eviction and have incomes below 200 percent of the poverty line. Experience with earlier similar (but less comprehensive) programs in New York City showed that this funding substantially increased representation of tenants in housing court and substantially reduced evictions. When the program is fully implemented, it is expected to serve 400,000 tenants each year (Office of the Mayor of New York 2017).

ENHANCE HOMEOWNERS' HOUSING STABILITY

Homeowners are also at risk of instability when they cannot afford their mortgage or the costs of home repairs. Policy options for enhancing homeowners' housing stability include property tax relief for income-qualified homeowners and foreclosure prevention programs.

Property Tax Relief for Income-Qualified Homeowners In gentrifying neighborhoods and other neighborhoods experiencing large increases in home values, existing low- and moderate-income homeowners may struggle to afford the costs of rising property taxes tied to home values. A number of states (and some localities) have adopted policies that limit total property taxes (or property tax increases) for low- and moderate-income homeowners. Some of the provisions are limited to people who are over 65 or have a disability. Some states also provide parallel rent rebates for qualifying renters. For example, Connecticut funds a property tax relief program for qualified elderly and disabled homeowners and renters that provides a property tax credit (or a renter's rebate) based on the participant's income and marital status. The state also allows towns to provide additional property tax relief for seniors (Dube 2012).

IMPROVE QUALITY OF NEW AND EXISTING HOUSING

Cities and counties can adopt a range of policies to help improve the quality of new and existing housing. These include reforming housing and building codes, stepping up code enforcement, lead abatement, assistance for home safety modifications, homeowner rehabilitation assistance programs, and weatherization assistance.

Code Enforcement The city of Greensboro, North Carolina, adopted an innovative local housing code enforcement program in 2013. The city created a formal partnership with the nonprofit advocacy organization Greensboro Housing Coalition (GHC). The city and GHC worked together on a public education campaign, which involved distributing multilingual educational materials about code requirements, meeting with community members to explain the code enforcement process, and facilitating code enforcement referrals. Greensboro code enforcement personnel collaborate with GHC counselors to prevent the displacement of residents and to solve other housing issues.

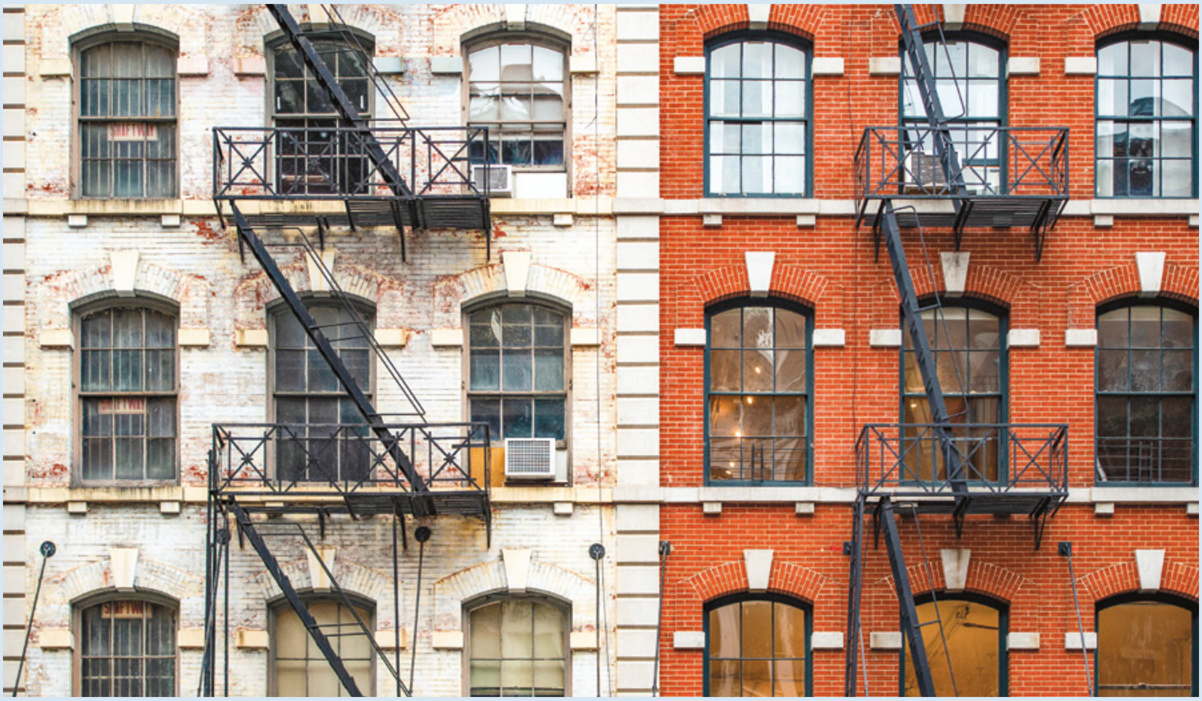
ENSURE THE ONGOING VIABILITY OF UNSUBSIDIZED AFFORDABLE RENTALS

The final subcategory in the LocalHousingSolutions.org policy framework includes policies that help ensure the ongoing viability of unsubsidized affordable rental properties. In markets with high or growing housing costs, the goal of such policies is to slow the pace of rent and home price increases by allowing small-scale owners to profitably operate older housing, rather than selling to an owner who might upgrade the housing or replace it with luxury condominiums. In lower-cost housing markets, such policies can help owners gain access to capital to maintain their properties in good condition. Policies include tax incentives for the maintenance and rehabilitation of unsubsidized affordable rental properties, expanded access to capital for owners of unsubsidized affordable rental properties, and guidance for small property owners and owners of other unsubsidized affordable rental properties.

Guidance for Owners of Small, Market Affordable Properties In Chicago, the private Community Investment Corporation (CIC) works closely with the city to preserve dedicated and market affordable housing, particularly in lower-income parts of the city that have been targeted for stabilization. CIC provides various types of training for property managers and owners on a weekly basis to help them manage and maintain their properties (Community Investment Corporation 2020). Course topics include landscape and design maintenance, how to acquire and finance a multifamily property, and other specialized topics.

CHAPTER 7

Conclusions and Recommendations



Local housing policies can combat the increasing cost of housing. *Source: Travel Wild/iStock/Getty Images Plus.*

The share of households across the country spending large portions of their income on housing has risen substantially over the past few decades. This report summarizes the causes, challenges, and consequences of rising rents and shows that a variety of broad market forces have contributed to the problem. Still, local policy matters, and the decisions local governments make, are critical to ensure the availability of affordable, high-quality rental and for-sale homes to low- and moderate-income renters and owners. We offer the following recommendations for local policy makers to ensure that cities and counties have policies that promote housing affordability and other locally defined housing objectives.

ARTICULATE CLEAR HOUSING OBJECTIVES AND IDENTIFY POLICIES TO ADDRESS OBJECTIVES

Smaller communities and those relatively new to housing policy are likely to have shorter, less-complicated strategies than communities that have been working on this for some time. Local housing strategies can also be iterative and expand over time. The important thing is to begin the process of developing a formal strategy with clearly articulated goals, policy tools, and metrics for evaluating progress.

DEVELOP COMPREHENSIVE APPROACHES THAT ENGAGE MULTIPLE LOCAL AGENCIES

There is no single magic bullet or policy that will solve a community's housing challenges. Instead, communities should take a comprehensive approach that marshals as full a set as possible of the policy options available to their local government, including options within the wheelhouse of the local housing department, public housing agency, planning department, tax authority, zoning commission, economic development agency, and buildings department, among other agencies. The LocalHousingSolutions.org policy framework includes more than 80 policies that draw on the capacities of all of these agencies; the policy options within each subcategory of the framework are outlined in chapter 6.

CREATE BALANCED LOCAL HOUSING STRATEGIES

In addition to benefiting from comprehensiveness, local housing strategies are likely to be more effective and more politically viable if they seek to balance competing interests and policy choices. For example, rather than focusing only on the development of dedicated affordable housing (a priority of many advocates) or only on reducing barriers to the supply of market-rate housing (a priority of many developers), localities in high-cost regions should adopt policies to address both sets of concerns. Similarly, rather than focusing only on expanding dedicated affordable housing in resource-rich areas (an approach to promoting equity favored by some advocates) or only on improving schools and other services in areas occupied predominantly by low-income households and people of color (an approach favored by other advocates), localities should strive to implement both approaches. One way to achieve both balance and comprehensiveness is to include policies within each of the four categories of our policy framework: (1) create and preserve dedicated affordable housing units; (2) reduce barriers to new supply; (3) help households access and afford private market homes; and (4) protect against displacement and poor housing conditions. Larger cities and counties with more capacity should consider adopting one or more policies in each of the subcategories of the policy framework. We are developing a variant of this policy framework focused on the challenges of legacy cities and other places where shortages of supply are not a primary contributor to the decline in housing affordability. This framework will focus more on dealing with vacant and abandoned properties and less on encouraging new market-rate development to incorporate affordable units, which may not be practical in legacy cities.

ENGAGE DIVERSE COMMUNITY STAKEHOLDERS TO DEVELOP FEASIBLE STRATEGIES

Transparent and honest dialogue promotes greater understanding of community needs, government constraints, and trade-offs that may be necessary. Engaging and soliciting input from community members proactively—especially people of color, low-income populations, and marginalized groups—at the start of the process will lead to a stronger local housing strategy and help prevent implementation delays.

DEVELOP MEASURABLE GOALS FOR LOCAL HOUSING STRATEGIES AND A PROCESS FOR REPORTING TO ENSURE ACCOUNTABILITY

These goals should focus not only on the overall number of housing units created or affordable units produced but also on other critical targets such as the number of people assisted at different income levels and the location of the units relative to high-performing schools and public transportation.

RECOGNIZE AND ADDRESS THE NEED FOR COMPLEMENTARY POLICIES

The policies described in this report address housing challenges exclusively. In many cases, however, a combination of housing and nonhousing policies will more effectively address a community's policy goals than pursuing either set of policies on its own. For example, communities interested in lowering the combined cost of housing and transportation and in reducing greenhouse gas emissions might consider expanding public transit and developing mixed-use, mixed-income housing in the areas surrounding existing and new transit stations. Similarly, communities interested in improving educational outcomes might consider combining eviction prevention and housing vouchers—to improve the residential stability of families with children—with investments in teacher training and school facilities. Pairing housing with nonhousing policies can also help expand the coalition of organizations and individuals willing to support needed housing reforms.

GARNER EARLY AND BROAD POLITICAL SUPPORT

A substantial amount of political will is needed to adopt and implement the policy changes necessary to make meaningful progress in addressing a community's housing challenges. Unfortunately, the requisite amount of political support often does not materialize until a community's housing problems are very severe, at which point they are much more difficult and expensive to address because the shortage of housing is so acute and land prices are so high. For these reasons, communities should strive to build political will as soon as their housing problems become apparent. We recommend building coalitions across housing groups as well as between housing and nonhousing groups around common interests such as the environment, health, and education. A community that acts early on with a comprehensive and ambitious package of policy reforms stands the best chance of building broad political support.

PLAN FOR SUFFICIENT SCALE

In addition to acting too late in the cycle of rising housing costs, cities and counties often act at an insufficient scale to address their housing problems. Doing less can end up costing more, since housing challenges only get more expensive and more difficult to address as shortages grow more acute and land prices rise. Cities and counties should aim to dedicate sufficient resources to expand the availability of dedicated affordable housing and implement comprehensive, systemic reforms to their zoning codes that remove barriers to development and help increase affordability.

EMPLOY A REGIONAL APPROACH

Most policies can be adopted at the city or county level, but it is important to consider the regional perspective as well, including the role the municipality plays in the regional housing and job markets, as well as opportunities to collaborate across municipalities. The Chicago region provides a good example. By allocating a shared pool of dedicated affordable housing resources (known as project-based vouchers) to resource-rich areas throughout the region, municipalities work together to expand the availability of affordable housing in those neighborhoods. Communities can also collaborate regionally to share infrastructure investments in expanding affordable housing. For example, jurisdictions within the Denver and Minneapolis-St. Paul regions are collaborating to integrate mixed-income, transit-oriented development into an expanded transit system.

In sum, by adopting comprehensive, balanced housing strategies, cities, towns, and counties can make significant progress in increasing housing affordability, creating inclusive communities, and achieving other locally defined housing objectives.

The Denver region has undertaken a major effort to create and preserve affordable housing near stations along a growing rail network anchored by Union Station. *Source: tvirbickis/iStock/Getty Images Plus.*

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