

INFORM. INSPIRE. DEVELOP CIVIC LEADERS.

THE POLICY CIRCLE

HOUSING



➤ WHAT IS AFFORDABLE HOUSING? ◀

AFFORDABLE HOUSING
IS GENERALLY DEFINED
AS HOUSING IN WHICH
THE OCCUPANT IS
PAYING NO MORE THAN
30 PERCENT OF GROSS
INCOME FOR HOUSING
COSTS, INCLUDING
UTILITIES.

THERE HAS LONG BEEN A
DESIRE TO MAKE
HOMEOWNERSHIP
AFFORDABLE FOR EVERY
AMERICAN, AND FOR MANY
DECADES HAS BEEN
CONSIDERED PART OF THE
AMERICAN DREAM. THE
NATIONAL HOUSING ACT OF
1949 EVEN “ESTABLISHED
THE GOAL OF A DECENT
HOME IN A SUITABLE LIVING
ENVIRONMENT FOR ALL.”



ADJUSTING FOR INFLATION, MEDIAN HOME VALUES HAVE INCREASED BY 41% SINCE 2009, WHILE INCOMES HAVE INCREASED BY 8%. THE NATIONAL PRICE-TO-INCOME RATIO FOR HOUSING WAS 4.3 IN 2019, MARKING THE FOURTH CONSECUTIVE YEAR MEDIAN HOME SALES PRICES WERE QUADRUPLE THE MEDIAN HOUSEHOLD INCOME.

ON ANY GIVEN NIGHT IN 2020, 580,000 PEOPLE EXPERIENCED HOMELESSNESS NATIONWIDE. MORE THAN HALF OF ALL PEOPLE EXPERIENCING HOMELESSNESS ARE CONCENTRATED IN FOUR STATES: CALIFORNIA (28%), NEW YORK (16%), FLORIDA (5%), AND TEXAS (5%).

THE NUMBER OF COST-BURDENED RENTERS INCREASED FROM 14.8 MILLION IN 2001 TO 20.8 MILLION IN 2018, REPRESENTING 47% OF ALL RENTERS EVEN AS THE TOTAL NUMBER OF RENTERS INCREASED DURING THIS TIME PERIOD. ABOUT 17 MILLION HOUSEHOLDS ARE COST-BURDENED, DISPROPORTIONATELY AMONG HOUSEHOLDS UNDER 25 AND AMONG THOSE OVER 85. JUST UNDER 54% OF THE 4.4. MILLION HOUSEHOLDS UNDER AGE 25 ARE COST BURDENED AND ALMOST 37% OF 4 MILLION HOUSEHOLDS OVER AGE 85 ARE COST-BURDENED. JUST UNDER 54% OF BLACK HOUSEHOLDS, 52% OF HISPANIC HOUSEHOLDS, 42% OF WHITE HOUSEHOLDS, AND 42% OF ASIAN HOUSEHOLDS ARE COST BURDENED.

CONGRESS CREATED THE FEDERAL NATIONAL MORTGAGE ASSOCIATION ("FANNIE MAE") IN 1938 AS PART OF THE NEW DEAL. FANNIE MAE'S PURPOSE WAS TO "STIMULATE THE HOUSING MARKET BY MAKING MORE MORTGAGES AVAILABLE TO MODERATE- AND LOW-INCOME BORROWERS." FANNIE MAE PURCHASED FHA-INSURED LOANS FROM BANKS, POOLED THEM TOGETHER, AND SOLD THEM AS MORTGAGE-BACKED SECURITIES, USUALLY TO INSTITUTIONS SUCH AS INSURANCE COMPANIES AND INVESTMENT BANKS. THIS CREATED A SECONDARY MORTGAGE MARKET, THE PURPOSE OF WHICH WAS TO INCREASE THE TOTAL AMOUNT OF CAPITAL IN THE MORTGAGE MARKET. TO FINANCE THE NEW DEMANDS, IN 1970 CONGRESS CREATED THE FEDERAL HOME LOAN MORTGAGE CORPORATION ("FREDDIE MAC") TO FURTHER INCREASE THE AMOUNT OF CAPITAL AVAILABLE.



GOVERNMENT INVOLVEMENT



FEDERAL HOUSING ASSISTANCE PROGRAMS ARE FOR RENTAL HOUSING ASSISTANCE (PRIMARILY THROUGH RENT VOUCHERS), ASSISTANCE TO STATE AND LOCAL GOVERNMENTS (PRIMARILY THROUGH BLOCK GRANTS), AND ASSISTANCE FOR HOMEOWNERS (SUCH AS THROUGH TAX INCENTIVES OR MORTGAGE INSURANCE PROGRAMS). THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) ADMINISTERS ALMOST 100 HOUSING ASSISTANCE PROGRAMS.

SECTION 8 HOUSING CHOICE VOUCHERS ARE A FORM OF TENANT-BASED RENTAL ASSISTANCE THAT IS FEDERALLY FUNDED BY HUD AND ADMINISTERED LOCALLY BY PUBLIC HOUSING AUTHORITIES (PHAs). ELIGIBLE HOUSEHOLDS LIVE IN PRIVATE HOUSING (APPROVED BY PROGRAM STANDARDS AND WITH LANDLORDS WILLING TO PARTICIPATE). THEY PAY 30% OF THEIR ADJUSTED INCOME TOWARDS RENT, AND "THE VOUCHER PAYS THE DIFFERENCE BETWEEN THE FAMILY'S CONTRIBUTION TOWARD RENT AND THE ACTUAL RENT FOR THE UNIT." SECTION 8 IS THE LARGEST OF HUD'S RENTAL ASSISTANCE PROGRAMS, ACCOUNTING FOR MORE THAN ONE-THIRD OF HUD'S BUDGET (AMOUNTING TO \$23.8 BILLION IN FY2020). OVER TWO MILLION LOW-INCOME FAMILIES PARTICIPATE IN THE SECTION 8 PROGRAM, AMOUNTING TO OVER 5.3 MILLION PEOPLE.

THE LOW INCOME HOUSING TAX CREDIT (LIHTC) "PROVIDES INCENTIVES FOR THE DEVELOPMENT OF AFFORDABLE RENTAL HOUSING THROUGH FEDERAL TAX CREDITS." STATE HOUSING FINANCE AGENCIES (HFAS) RECEIVE THE TAX CREDITS BASED ON STATE POPULATION, AND THEN AWARD CREDITS TO HOUSING DEVELOPERS WHO AGREE TO CONSTRUCT OR RENOVATE HOUSING, WITH A CERTAIN PORTION OF UNITS FOR LOW-INCOME HOUSEHOLDS. IN TURN, HOUSING DEVELOPERS SELL CREDITS TO INVESTORS, AND THE PROCEEDS HELP FINANCE THE HOUSING DEVELOPMENTS. MORE THAN 2.3 MILLION UNITS WERE DEVELOPED USING LIHTCS AS OF 2018. IT IS ESTIMATED TO COST ABOUT \$9.5 BILLION ANNUALLY, AND "IS BY FAR THE LARGEST FEDERAL PROGRAM ENCOURAGING THE CREATION OF AFFORDABLE RENTAL HOUSING FOR LOW-INCOME HOUSEHOLDS."

POSSIBLY THE MOST INFLUENTIAL ROLE OF THE LOCAL GOVERNMENT IN THE HOUSING MARKET IS REGULATION IN THE FORM OF ZONING ORDINANCES. THESE ARE REGULATIONS THAT GOVERN HOW LAND CAN BE USED WITHIN THE AREA. FOR EXAMPLE, ZONING ORDINANCES DETERMINE WHICH AREAS ARE FOR RESIDENTIAL BUILDINGS, WHICH ARE FOR INDUSTRIAL BUILDINGS, AND WHICH ARE FOR COMMERCIAL BUILDINGS. THEY ALSO DETERMINE HOW CLOSE TOGETHER BUILDINGS CAN BE AND THE MAXIMUM HEIGHT OF BUILDINGS.





➤ FRAMING THE ISSUE ◀



THIS 2019 CONGRESSIONAL RESEARCH SERVICE REPORT LABELS AFFORDABILITY AS "THE GREATEST HOUSING PROBLEM TODAY." PUBLIC POLICY IS MAINLY CONCERNED WITH THE LOWEST-INCOME FAMILIES BECAUSE "HIGH HOUSING COSTS MAY PREVENT THESE FAMILIES FROM MEETING THEIR OTHER BASIC NEEDS." OVER TIME, THE CONTRACTS FOR AFFORDABLE HOUSING BETWEEN BUILDING OWNERS AND HUD EXPIRE, AFTER WHICH OWNERS ARE ALLOWED TO CHARGE MARKET-RATE RENTS THAT MAKE THE UNITS POTENTIALLY UNAFFORDABLE FOR LOW-INCOME FAMILIES. THIS MAKES "AFFORDABLE HOUSING PRESERVATION" A MAJOR CONCERN, PARTICULARLY SINCE GOVERNMENT HOUSING POLICIES HAVE SHIFTED FROM CONSTRUCTING UNITS TO PRIORITIZING SUBSIDIES SUCH AS THROUGH VOUCHERS.

WHILE OVERALL HOMELESSNESS DECREASED FROM 2007 TO 2020, THE NUMBER OF HOMELESS INDIVIDUALS HAS STEADILY BEEN INCREASING SINCE 2016. CRITICS ARE CONCERNED THE HOUSING FIRST MODEL DOES NOT SEE THE WHOLE PICTURE, AND THAT IT REDUCES HOMELESS INDIVIDUALS INTO HOUSING STATISTICS BY PROVIDING THEM WITH HOUSING BUT NOT IMPROVING THEIR GENERAL WELL-BEING. WHILE LACK OF AFFORDABILITY IS A CONTRIBUTING FACTOR TO THE HOMELESSNESS CRISIS IN AMERICA, THE CONTRIBUTING FACTORS OF ADDICTION, MENTAL ILLNESS, AND CRIME ALSO PLAY CRITICAL ROLES.

NEW HOME SALES ARE RELATED TO HOUSING STARTS, WHICH HAVE INCREASED SINCE BOTTOMING OUT AFTER THE FINANCIAL CRISIS BUT ARE STILL LOWER THAN HISTORICAL AVERAGES, REFLECTING LINGERING LABOR SHORTAGES AND INCREASING CONSTRUCTION COSTS. AS HOME PRICES HAVE INCREASED, AFFORDABILITY FOR PROSPECTIVE HOMEBUYERS HAS TAKEN A HIT. DEMAND FOR AFFORDABLE HOUSING AND THE COST OF CONSTRUCTION AND UNITS ALSO VARIES GREATLY ACROSS THE COUNTRY.

LOCAL GOVERNMENTS SET AND ENFORCE ZONING ORDINANCES THAT SPECIFY WHICH LAND CAN BE USED FOR DIFFERENT PURPOSES AND WHAT BUILDING CAN BE CONSTRUCTED. ORDINANCES SUCH AS LAND USE RESTRICTIONS AND BUILDING CODES CAN BE NECESSARY FOR PUBLIC HEALTH AND SAFETY, BUT THEY CAN ALSO "INCREASE CONSTRUCTION COSTS AND LIMIT THE AMOUNT OF NEW HOUSING THAT CAN BE BUILT," CONTRIBUTING TO AN UNDERSUPPLY OF AFFORDABLE HOUSING.





SOLUTIONS



STATES AND MUNICIPALITIES ADMINISTER PUBLIC HOUSING AND LOCAL RENTAL ASSISTANCE PROGRAMS WITH FUNDING THROUGH VARIOUS SOURCES. FOR EXAMPLE, SAN FRANCISCO'S DIRECT ACCESS TO HOUSING PROGRAM DEPLOYS CITY AND FEDERAL FUNDS, WHEREAS THE SAN FRANCISCO HOUSING FIRST PROGRAM USES ONLY CITY FUNDS. STATES ALSO PLAY A LARGE ROLE IN HOMELESS ASSISTANCE PROGRAMS. FOR EXAMPLE, WHILE THERE ARE 33 FEDERAL PROGRAMS "THAT EXPLICITLY FLAGGED HOMELESS INDIVIDUALS AS BENEFICIARIES," FEDERAL FUNDING WORKS AS PART OF A LARGER NETWORK. NEW YORK CITY SPENT \$3.2 BILLION ON HOMELESS PROGRAMS IN 2019, AND FEDERAL PROGRAMS PROVIDED \$134 MILLION.

PRIVATE GROUPS INVEST IN BUILDING NEW HOUSING AND IMPROVING OLDER, MORE NEGLECTED HOUSING, SUCH AS THROUGH LIHTCS, OR OTHER TAX BENEFITS LIKE OPPORTUNITY ZONES. NONPROFIT GROUPS SUCH AS NEIGHBORWORKS AMERICA, HABITAT FOR HUMANITY, AND COMMUNITY DEVELOPMENT CORPORATIONS ARE ALSO INVOLVED IN REVITALIZING AND BUILDING IN NEIGHBORHOODS.

IN RESPONSE TO HOMELESSNESS, THE CONTINUUM OF CARE (COC) PROGRAM, DEVELOPED IN THE 1990S, "CREATED LOCAL QUASI-GOVERNMENTAL ENTITIES IN METROPOLITAN AREAS THAT CAN APPLY FOR HUD FUNDING AND ADMINISTER LOCAL HOMELESSNESS PROGRAMS." STATE AND LOCAL GOVERNMENTS DISTRIBUTE FEDERAL FUNDING DIRECTLY TO COC ORGANIZATIONS THAT ADMINISTER CONTRACTS TO LOCAL SHELTERS, HOUSING PROGRAMS, AND SERVICE PROVIDERS. THE PROGRAM DISTRIBUTED \$2.5 BILLION FOR 6,597 LOCAL HOMELESS HOUSING AND SERVICE PROGRAMS ACROSS THE U.S. AND TERRITORIES IN FY2020.

LOCAL GOVERNMENTS CAN WORK TO FIND A BALANCE IN ZONING ORDINANCES THAT PROTECT THE PUBLIC BUT DO NOT STIFLE HOUSING DEVELOPMENT. HOUSTON REDUCED ITS MANDATORY MINIMUM LOT SIZE, MAKING TOWNHOUSE DEVELOPMENT POSSIBLE. MINNEAPOLIS UPDATED ITS ZONING PLAN TO ALLOW DUPLEXES AND TRIPLEXES IN AREAS OF THE CITY THAT HAD PREVIOUSLY BEEN LIMITED TO SINGLE-FAMILY DEVELOPMENT. THE LOUISVILLE METRO AREA GOVERNMENT DEVELOPED A WEBSITE TO REVIEW ZONING REGULATIONS WITH INPUT FROM THE COMMUNITY.

➤ WHAT YOU CAN DO ◀

MEASURE -

DO YOU KNOW THE STATE OF THE RENTAL AND HOUSING MARKET IN YOUR COMMUNITY OR STATE? WHAT ARE YOUR LOCAL LAWS ON ZONING? HOW MUCH WAS YOUR STATE OR COMMUNITY GRANTED IN HOUSING-RELATED FUNDING?



IDENTIFY -

WHO ARE THE MEMBERS OF DEPARTMENTS RELATED TO HOUSING AND HOUSING FINANCE IN YOUR STATE? WHO IS IN CHARGE OF YOUR LOCAL PUBLIC HOUSING AGENCY (PHA) OR STATE HOUSING FINANCE AGENCY (HFA). WHAT STEPS HAVE YOUR STATE'S OR COMMUNITY'S ELECTED AND APPOINTED OFFICIALS TAKEN?



REACH OUT -

FIND ALLIES IN YOUR COMMUNITY OR IN NEARBY TOWNS AND ELSEWHERE IN THE STATE. FOSTER COLLABORATIVE RELATIONSHIPS WITH LOCAL BUSINESSES, COMMUNITY ORGANIZATIONS, AND SCHOOL BOARDS.



PLAN -
SET MILESTONES BASED ON YOUR STATE'S LEGISLATIVE CALENDAR OR LOCAL COMMUNITY CALENDAR.



EXECUTE -

CONTACT LOCAL REAL ESTATE AGENTS TO UNDERSTAND KEY CHALLENGES IN THE HOUSING MARKET. IF YOU ARE UNFAMILIAR WITH THE HOUSING MARKET, TALK TO YOUR FRIENDS AND NEIGHBORS ABOUT THEIR EXPERIENCES RENTING OR PURCHASING A HOME. LEARN FROM LOCAL BUSINESS OWNERS ABOUT WHETHER AND HOW LOCAL ZONING ORDINANCES AFFECT THEM AND THEIR BUSINESSES. INVESTIGATE VOLUNTEER OPPORTUNITIES, SUCH AS WITH HABITAT FOR HUMANITY OR NEIGHBORWORKS,

