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Summary
Recent demographic changes—the sharp increase in single-person households, especially among single individuals over the age of 65, as well as racial disparities in homeownership and the increasing cost burden of home rentals—are underscoring the need for a new vision with respect to U.S. housing policy. This Issue Brief

lays out several policy prescriptions for improving housing affordability and fairness, both for renters and owners: modifying the federal Housing Choice Voucher program as well as local and state land-use regulations; investing in the maintenance of existing affordable housing stock; making good on HUD's Affirmatively Furthering Fair Housing requirements so as to reduce fair housing barriers; and promoting financing programs for retrofitting existing low-income housing, to increase energy efficiency and reduce overall costs.

Keywords
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The current challenges facing housing markets across the United States are in many ways unprecedented. Rents, and rent burdens, are at all-time highs, house prices are out of reach for many households, the available stock of for-sale units in many markets remain low, and there is uncertainty about what homeownership rates will look like for future generations.

SUMMARY

- Recent demographic changes—the sharp increase in single-person households, especially among single individuals over the age of 65, as well as racial disparities in homeownership and the increasing cost burden of home rentals—are underscoring the need for a new vision with respect to U.S. housing policy.
- This Issue Brief lays out several policy prescriptions for improving housing affordability and fairness, both for renters and owners: modifying the federal Housing Choice Voucher program as well as local and state land-use regulations; investing in the maintenance of existing affordable housing stock; making good on HUD's Affirmatively Furthering Fair Housing requirements so as to reduce fair housing barriers; and promoting financing programs for retrofitting existing low-income housing, to increase energy efficiency and reduce overall costs.
- While each of these recommendations would be beneficial in and of themselves, what the U.S. ultimately needs is a broader and more complete national strategy for housing policy.

Rising rents have exacerbated other problems, too, like tenant displacement and homelessness. After the Great Depression, the U.S. government created a series of market-stabilizing institutions and programs that reshaped the housing landscape.[1,2] But policymakers have done nothing along those lines in response to the country's current challenges.

One response to our current housing challenges is to increase the supply of housing, but the private market has failed to produce the number of units being demanded at different price points.[3] The likelihood that the government will have to play a larger role in addressing issues of housing affordability is increasing. However, the fact that some forms of public involvement in housing markets, such as exclusionary land use policies, may run counter to the country's housing goals highlights the necessity for policy responses that are multipronged and nuanced.

In this Issue Brief, I note some of the demographic and economic changes that are reconfiguring the U.S. housing landscape based off my research and work done with colleagues.[4] I then recommend several policy prescriptions—based on empirical evidence from my research and that of colleagues across the field—for addressing different issues that have arisen in this era of housing policy. While these solutions address some of our current problems, they are not a replacement for a much needed comprehensive national housing policy.

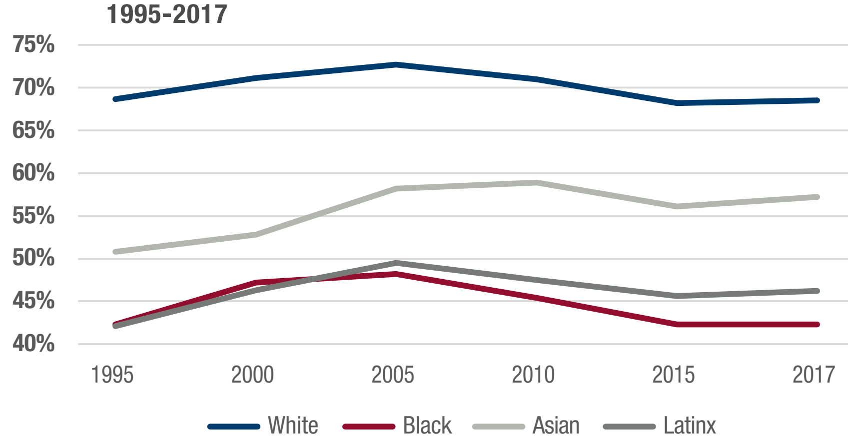
CHANGING DEMOGRAPHICS AND ECONOMICS

The lack of vision in crafting housing policy has been a problem for some time, but the need has never been more pressing. Consider the following demographic and economic shifts already underway. These are by no means the only changes occurring, but they reveal the importance of addressing the country's housing challenges now.

Household Age and Size: Two of the demographic trends that will shape the future of housing in the U.S. are the simultaneous increases in single-person households and in those of people over age 65. Research shows that single-person households increased by 6 million, or 22% since 2000, further increasing the demand for housing.[5] In addition, by 2030 there will be nearly 47 million households heads over 65, which will constitute an increase of 20 million since 2015.[6]

Household Race: The subprime crisis and subsequent Great Recession hit Black homeowners particularly hard (see Figure 1). Overall, homeownership rates have increased the last 20 years for Latinx and Asian American households, but for Black households the homeownership rate in 2017 was almost identical to that of 1995. All gains in Black homeownership rates between 1995 and 2005 were erased during the housing bust. Predatory loan products targeted minority households, clustered in certain neighborhoods. As a result of those products and the subsequent federal response, a large share of affected Black homeowners were left with lower home values. Such inequities in both homeownership rates and wealth creation through homeownership are a product of discriminatory housing policies and financial products, and these disparities will only compound if they are not explicitly addressed.

FIGURE 1: HOMEOWNERSHIP RATES BY RACE/ETHNICITY OF HOUSEHOLD HEAD, 1995-2017



Source: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey, February 27, 2018.

NOTES

1 Reina, V., & Landis, J. (2019). The Future of US Housing Policy, available at https://www.tandfonline.com/doi/full/10.1080/10511482.2018.1530505.

2 *E.g.*, the Federal Home Owners Loan Corporation, the Federal Housing Administration.

3 Been, V., Ellen, I. G., & O'Regan, K. (2019), "Supply skepticism: Housing supply and affordability," *Housing Policy Debate,* 29(1), 25–40.

4 Various parts of this Issue Brief are based on John Landis & Vincent Reina (2019), "Eleven Ways Demographic and Economic Change Is Reframing American Housing Policy," *Housing Policy Debate,* 29:1, 4-21. The brief notes when data from that paper are used, but encourages everyone to read that article in full.

5 *Supra* note 3.

6 *Supra* note 3.

7 U.S. Department of Housing and Urban Development (2015). Picture of Subsidized Households. Retrieved from https://www.huduser.gov/portal/datasets/assthsg.html.

8 Olsen, E. O. (2003), "Housing programs for low-income households," in *Means-tested transfer programs in the United States* (pp. 365–442), Chicago, IL: University of Chicago Press. Desmond, M. (2016), *Evicted: Poverty and Profit in the American City.* New York, NY: Broadway Books.

9 Reina, V., Acolin, A., & Bostic, R. (2019), "Section 8 vouchers and rent limits: Do small area fair market rent limits increase access to opportunity neighborhoods? An early evaluation," *Housing Policy Debate,* 29(1), 44–61.

10 Dastrup, S., Finkel, M., Burnett , K. & Tanya de Sousa. (2018), "Small Area Fair Market Rent Demonstration Evaluation." Final Report. U.S. Department of Housing and Urban Development's Office of Policy Development and Research.

Cost Burden: In 2017, nearly 31% of all households and 46% of renters spent over 30% of their income on rent. The situation is far worse for low-income households. Among U.S. households with incomes less than $20,000, the share that were rent burdened in 2017 stood at a staggering 88.4%, whereas less than 1% of households in this bracket spent less than 20% of their income on rent (see Figure 2). There is increasing evidence that households lack the ability to find cheaper housing on their own—in their own market or a neighboring one—since the stock of affordable private market housing units are a fraction of the demand.

POLICY PRESCRIPTIONS

When considering the demographic and economic changes above, a common problem evident among them is the clear need for improving housing affordability and fairness—both for renters and owners. With U.S. housing markets in their fifth year of modest recovery, now is the time to make up lost ground in thinking about the future of U.S. housing policy.

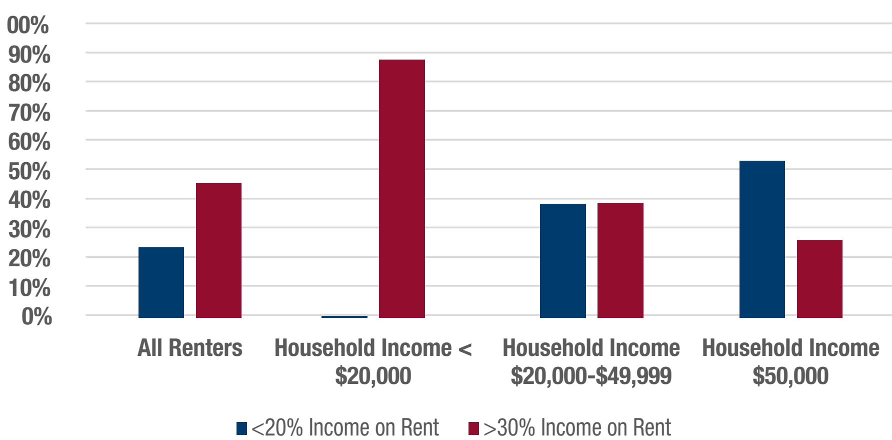
Today, amid rising concerns about rental affordability, fair housing, displacement, and homeownership opportunities, there remains significant uncertainty about a federal commitment to fund housing. While there are many solutions that should be considered, here are five that I have found both effective and efficient in my own research, much of which is conducted with scholars across the U.S., and all of which is supported by findings from other housing researchers.

1. DEVELOPING A VIABLE SAFETY NET—AND IMPROVING ACCESS—THROUGH A UNIVERSAL AND FLEXIBLE VOUCHER ENTITLEMENT PROGRAM

The country's largest affordable rental housing program, the Housing Choice Voucher (HCV) program, which currently serves nearly 2.5 million households, needs to be made more flexible to deal with a greater variety of local housing market conditions, as well as more attractive to private landlords. Most markets have significant or even closed waiting lists for federal Section 8 vouchers and public housing units. In my current study of a recent housing voucher lottery in Los Angeles, I examine the implications of an intriguing situation: only 20,000 households were selected for the voucher waiting list out of nearly 170,000 who applied and 600,000 who were potentially eligible to apply.

Nationally, one-third of households who receive rental-housing

FIGURE 2: SHARE OF INCOME SPENT ON RENT BY INCOME BANDS, 2017



Source: U.S. Census Bureau, 2017 American Community Survey 1-Year Estimates

NOTES

11 Cunningham, Mary, et al (2018), *A Pilot Study of Landlord Acceptance of Housing Choice Vouchers*. Washington, DC: US Department of Housing and Urban Development, Office of Policy Development and Research.

12 *Supra* note 3.

13 *Supra* note 2.

14 Available at https://www.whitehouse.gov/sites/whitehouse.gov/files/images/Housing_Development_Toolkit%20f.2.pdf.

15 *Supra* note 3.

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20 Reina, V., Rodriguez, A. and Fadullon, A. Housing, Planning, and Public Participation. Working Paper.

21 Kontokosta, C. E., Reina, V., & Bonczak, B. (2018). Energy Cost Burdens for Low-Income and Minority Households in Six US Cities: Evidence from Energy Benchmarking and Audit Data. Available at SSRN 3295367.

22 Reina, V. J., & Kontokosta, C. (2017). "Low hanging fruit? Regulations and energy efficiency in subsidized multifamily housing." *Energy Policy, 106,* 505-513.

23 Pazuniak, R., Reina, V., & Willis, M. (2015). Utility allowances in federally subsidized multifamily housing. *The NYU*

subsidies must wait 30 months—a figure that does not include those areas where waiting lists are closed—until a voucher or subsidized unit becomes available.[7] Researchers have argued that vouchers should be an entitlement for the lowest income households, instead of maintaining the current lottery system.[8] Such policies would reduce the negative incentives associated with obtaining, or losing, this scarce resource, thus making the program more efficient and cost effective.

We also know that the voucher program can be modified in other ways to make it more efficient. For example, the adoption of the Small Area Fair Market Rents (SAFMRs) program allows housing authorities to calculate voucher rent limits at a zip-code level and is a sensible change to the program. My own research shows that an adjustment to a SAFMR method allows households to access units that were above HUD's previous voucher rent limit, and it increases the number of households able to access higher opportunity neighborhoods (i.e., those with better schools and lower vacancy and poverty rates) in several markets.[9] Evidence from HUD itself shows that this kind of policy produces better outcomes and is cost effective,[10] and this program has now been expanded to 24 sites. While evidence also reveals that vouchers are not perfect, and that many property owners refuse to even accept the subsidy, making adjustments like this will be important for ensuring that low-income households have a housing safety net. [11]

2. FEDERAL GUIDANCE AND FUNDING FOR INCREASING PRIVATE MARKET HOUSING AND ACCESS

Stringent land use regulations are highly correlated with higher housing prices.[12] Many of the localities that have the most stringent regulations, such as San Francisco and New York City, are also places that show local skepticism that increasing the supply of housing will reduce rent burdens, despite evidence to the contrary.[13]

Land-use regulation are largely a state and local matter. This type of regulation dictates what type of housing can be built where, but by doing so, compounds spatial inequities in access to services and wealth building opportunities. It is time for federal policymakers to reconsider their traditional hands-off approach to local zoning.

In consideration of this need, HUD developed a Housing Development Toolkit during the Obama Administration.[14] This toolkit was meant to be a resource that municipalities could use to understand how local zoning might be adjusted to be less restrictive and exclusive, and HUD intended it to be coupled with a grant program that incentivized such changes. Rolled out in late 2016, the grant program was never funded and it is unclear if any municipalities ever used the toolkit. Recent attempts by Governor Newsom in California to take more punitive measures and attach adjustments to local zoning and housing production to other forms of funding, such as transportation funding, represents another model that can be even more effective if done at a federal level.

Changes to zoning cannot be viewed as a silver bullet, however, because of inevitable local "Not In My Backyard" tactics, but they are a pre-requisite for any viable housing solution.

NOTES

Furman Center for Real Estate and Urban Policy.

24 For example, others have proposed giving tax credits to low-income renters to balance the mortgage interest deduction available to homeowners as in this report: Galante, C., Reid, C., & Decker, N. (2016), "The FAIR tax credit: A proposal for a federal assistance in rental credit to support low-income renters," Berkeley: The Terner Center for Housing Innovation, University of California.

3. INCREASING HOUSING STABILITY AND SUPPLY THROUGH GOVERNMENT SUPPORT FOR NEW AND EXISTING AFFORDABLE HOUSING

Based on filtering theory, affordable housing can be understood as a product of units that have depreciated enough to become affordable. This approach to ensuring that affordable housing exists is problematic not only because it relies on units actually being built and filtering down, which is not happening in many markets, but it also implies that low-income households should always live in the units with the least demand and therefore of lower quality and with access to less desirable local amenities.

The largest federal subsidy program for the production of affordable housing is the Low-Income Housing Tax Credit (LIHTC) program. While over two million units have been developed through this program, these units still represent a small share of the overall affordable housing stock. Furthermore, there are almost three times as many households who qualify for subsidized housing than receive it.[15] The federal government cannot subsidize the development of enough housing units to fully address the current lack of affordable housing on its own, but that does not mean it should not increase its support for such production programs. In particular, the federal government should expand subsidy programs that target the lowest income households and provide a deep enough subsidy to ensure they are not rent burdened. There are many ways this can be done, including offering new project-based Section 8 contracts, expanding allocations of Section 8 vouchers, and also expanding flexibility on the project-basing of those vouchers.

In the coming years much of the country's existing federally subsidized housing supply will need to be recapitalized or will no longer be bounded by affordability restrictions.[16] Many of these units are located in higher performing neighborhoods where few affordable housing units remain.[17] The time for preserving much of the existing affordable housing stock in the U.S. is rapidly approaching. Collaborations between HUD and state housing finance agencies, combined with the use of local data, have yielded positive outcomes for some regions trying to address issues of housing affordability.[18] But future efforts will only be successful with additional federal resources.

4. A STRONGER FAIR HOUSING PROCESS

Under the Obama Administration, HUD promulgated new fair housing requirements known as Affirmatively Furthering Fair Housing (AFFH), which required communities receiving HUD funding to establish goals and priorities to eliminate fair housing barriers. There is evidence that this is a good start, with new fair housing plans producing more informed and tangible goals and quantifiable outcomes than previous ones.[19] My own research with Akira Rodriguez and Anne Faddulon has shown that in Philadelphia, the act of making the plan itself has resulted in new coalitions and resources around fair housing.[20]However, the planning process itself, like the act of addressing fair housing head on, is complex.

The Trump Administration recently delayed the need for cities to meet this requirement until after 2020. To date, there has been no significant movement from the current administration on developing a clear path forward on fair housing despite a clear need to address this issue.

5. PROMOTING FINANCING SCHEMES FOR RETROFITTING EXISTING HOUSING

Low-income households are more likely to live in poorer quality housing (i.e., units with inefficient or defective structures and appliances) by virtue of their price points. My research with Constantine Kontokosta shows that these households face higher utility costs due to poor housing quality, and that there is a distinct opportunity to retrofit such properties.[21] Retrofits can help prevent housing units from falling into disrepair, reduce utility cost burdens, and garner a decent return on investment. Policymakers could explore the development of financing programs that promote retrofits in exchange for a commitment from owners to maintain their unit(s) at an affordable rent.

Inequities in utility cost burdens also persist in existing subsidized housing. The rules governing subsidized housing programs often disincentivize owner investments in energy efficient upgrades, and also reduce a tenant's ability or desire to reduce consumption levels.[22] This presents an opportunity for the federal government to make adjustments to existing programs—an approach which does not require congressional approval—to increase the energy efficiency of its subsidized housing units, reduce costs, and increase investments, thus ensuring the viability and affordability of this housing supply in the long-term.[23]

CONCLUSION

The U.S. does not yet have a national vision of what housing policy should be, but it needs one. The housing problems that plague neighborhoods, cities, counties, and states are manifest across the country, even if they differ in their specifics. Many of these realities are a result of federal policies or a lack thereof. Policymakers and researchers often approach one aspect of housing in isolation—for example, the need to reduce rent burdens or to increase homeownership rates or to promote access to opportunity neighborhoods—but linking all of these conversations is critical. While there are many ideas that should be considered, this Issue Brief highlights some of the important policy implications supported by research.[24] These recommendations would be beneficial, but in no way replace the need for a broader housing vision and strategy.

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Professor Reina's research focuses on urban economics, low-income housing policy, household mobility, neighborhood change, and community and economic development. His work has been published in various academic journals, such as *Urban Studies, Housing Policy Debate, and Journal of Housing Economics.* In 2017, he helped the City of Philadelphia develop its framework and strategy for preserving its stock of existing subsidized housing, and in 2018 worked with City of Philadelphia to write its first city-wide housing plan. He was given the award for Best Dissertation in Public Policy and Management by the Association of Public Policy and Management (APPAM), and was recently selected for the APPAM 40 for 40 fellowship. Reina is a 2018 Visiting Scholar at the Federal Reserve Bank of Philadelphia, and a 2018 Lincoln Institute for Land Policy Scholar. Reina was previously a Fellow at the Furman Center for Real Estate and Urban Policy at New York University (NYU), a Research Associate at the Lusk Center for Real Estate at the University of Southern California (USC), a Coro Fellow, and worked at the Local Initiatives Support Corporation and the U.S. Department of Housing and Urban Development. He holds a PhD in Public Policy and Management from USC, an MBA with a concentration in Economics and Real Estate Finance from NYU's Stern School of Business, an MSc in Comparative Social Policy from the University of Oxford, and a BS with honors in Urban Studies from Cornell University.