

Rising Rents: Growing Challenges and Emerging Solutions

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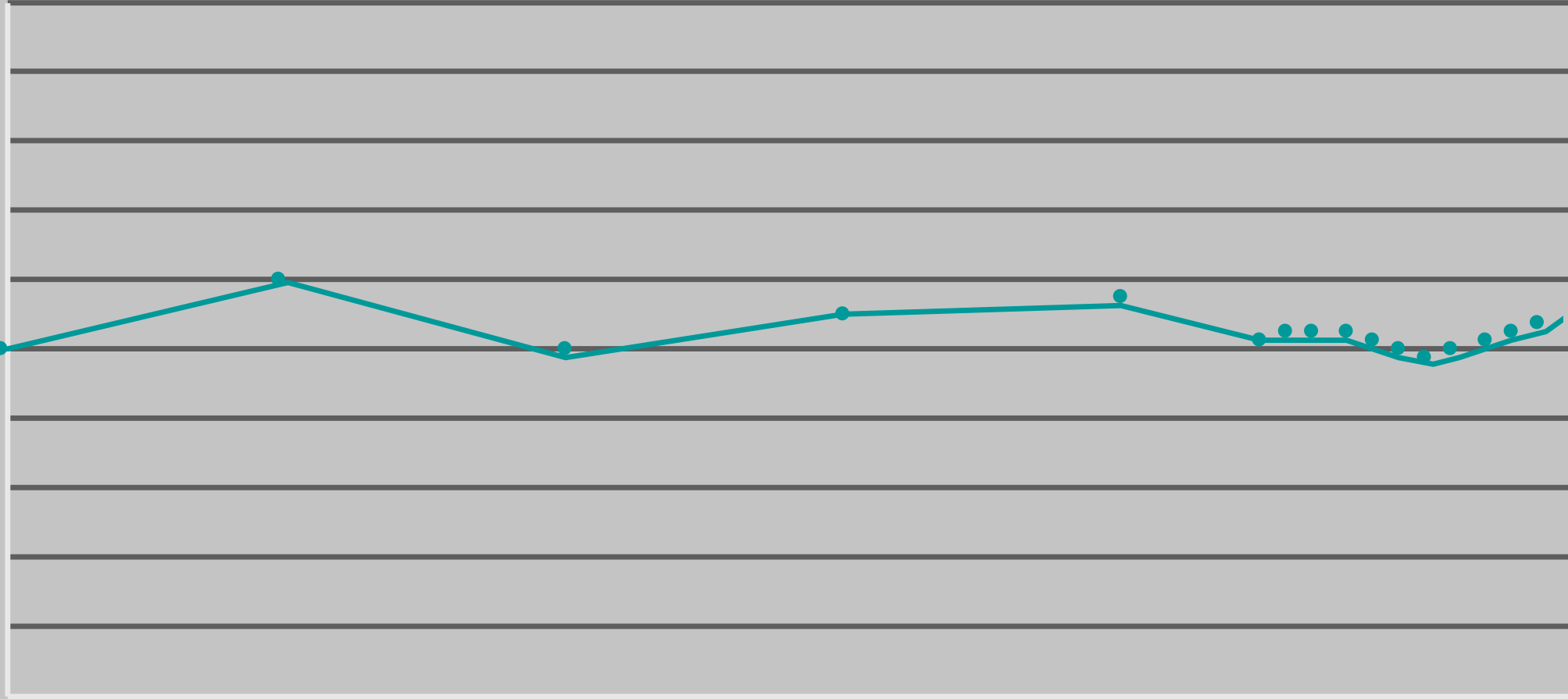
University College London

The Case of Affordable Housing

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Rent Growth has Surpassed Income Growth in U.S. Since 1970

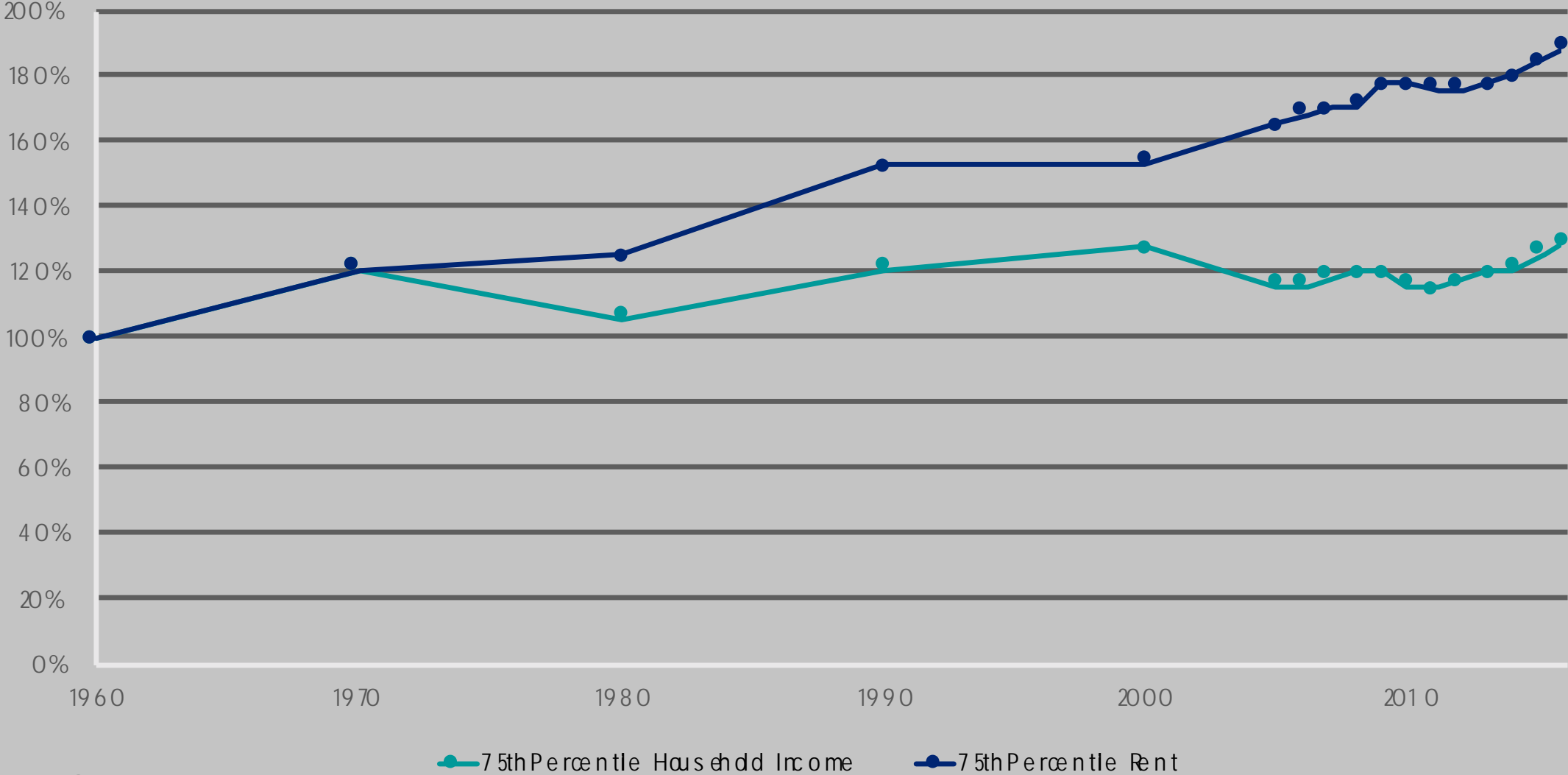


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But Gap Exists at 75th Percentile too

Changes in 75th Percentile of Income and Rent (indexed to 100 for values in 1960)



Rising Cost Burdens for Poor Households in EU countries

Source: The Guardian. Abbé Pierre Foundation - Feantsa, Eurostat.

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Increases Pervasive, but Burdens Higher in Some Metros

Share of Renter Households who are Paying More Than 30% of their Income in Rent, by Metro Area



Burdens Higher in London Than in the Rest of England

Source: English Housing Survey. Housing Costs and Affordability 2015-2016 report.

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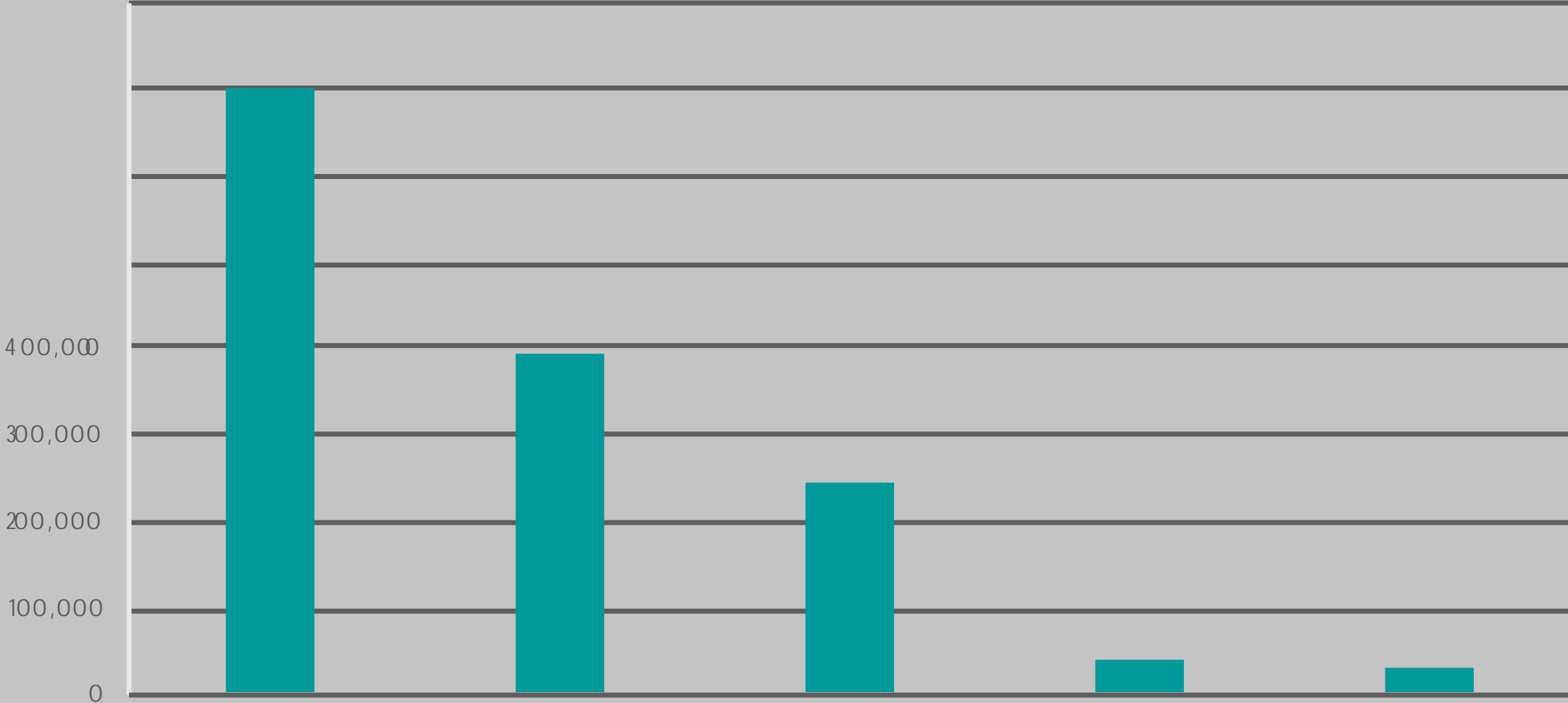
Lower Income Renters have Less Money Leftover After Paying for Housing

Households Without College Degrees Have Seen Large Declines in Residual Income

Consequences of Rising Housing Costs

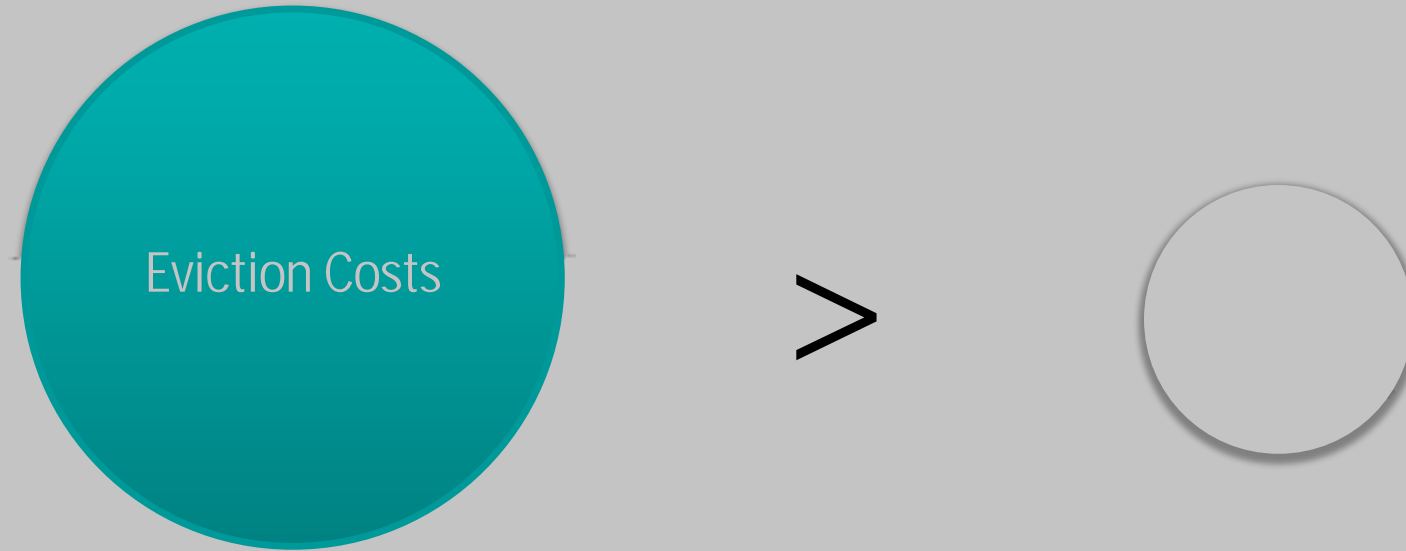
- Costs for individual families and children
 - May increase crowding, reduce other consumption, **increase housing insecurity**
 - May impede children's human capital development

700,000 Households Threatened with Eviction in 2013



Evictions are Costly

- Eviction Costs: homelessness, hospitalization, etc.



Consequences of Rising Housing Costs

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Housing Can Shape Children's Educational Trajectories

Children spend 80% of their time outside the classroom

Housing Subsidies Boost Children's Reading and Math Test Scores in NYC

Mechanisms



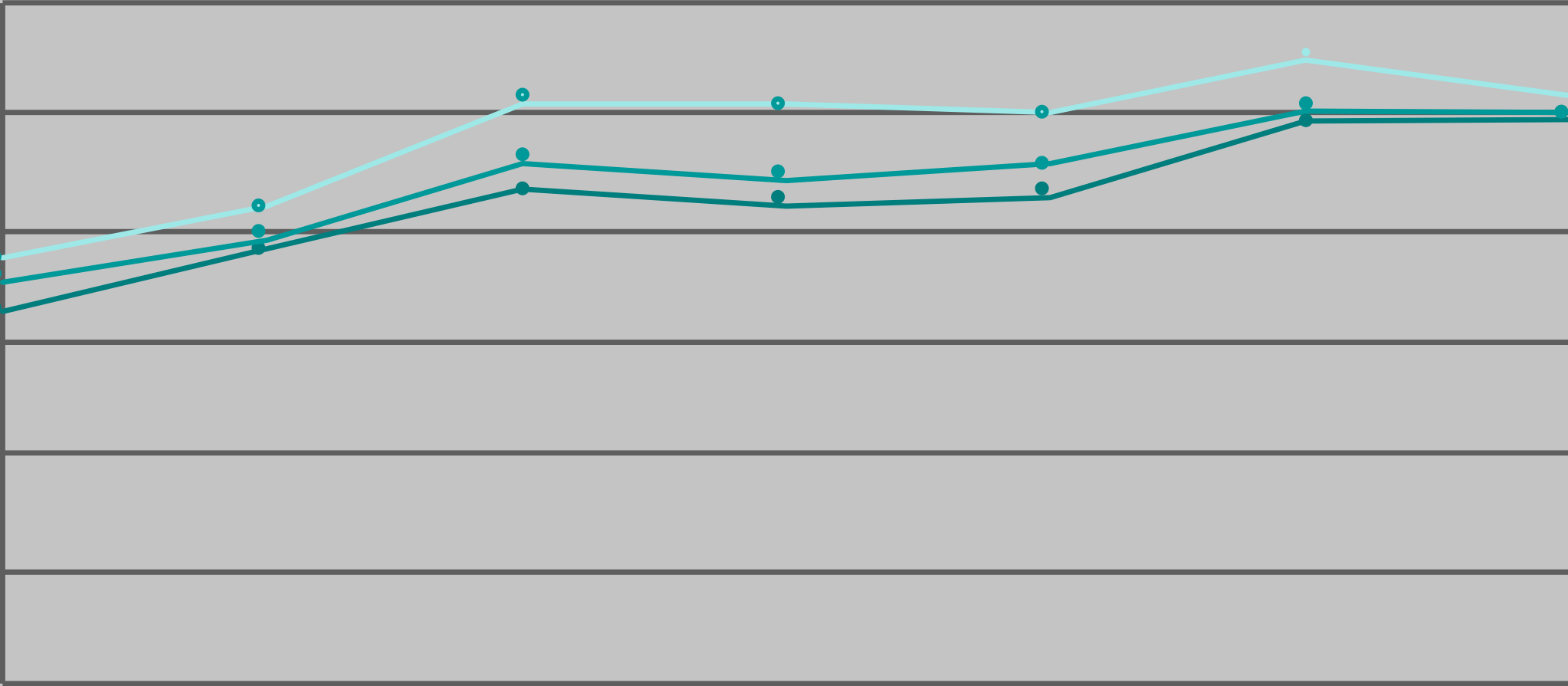
Consequences of Rising Housing Costs

- Costs for individual families and children
 - Increases crowding, reduces other consumption, increases housing insecurity
 - May impede children's human capital development
- **Broader societal costs**
 - May constrain economic growth at local/national level
 - Potentially exacerbate segregation and inequality
 - May increase commuting times and associated environmental costs
 - May increase needed social expenditures in other areas

Web of Underlying Causes

- **Quality changes**
 - Increases in size and quality of homes
- **Demand**
 - Rising incomes at high end
- **Supply**
 - Supply restrictions
 - Manmade limits
 - Natural limits
 - Lack of productivity gains in construction
 - Failure of landlords to reduce rents

At All Educational Levels, U.S. Residents are Living in Larger Homes

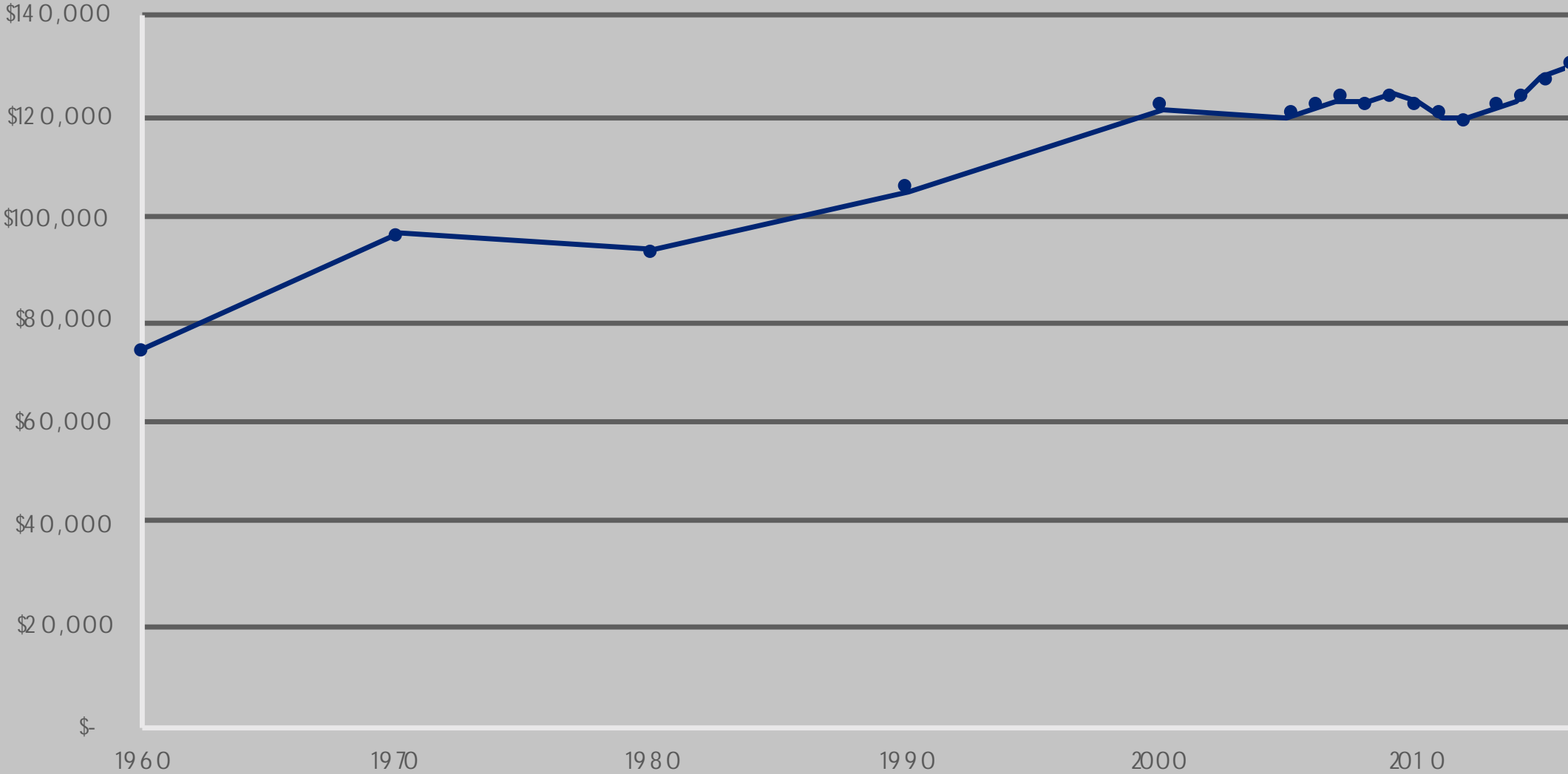


Web of Underlying Causes

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Typical Renter Lives in Area with Greater Income Inequality

Income Inequality (90-10 Ratio) of PUMA of Average Renter



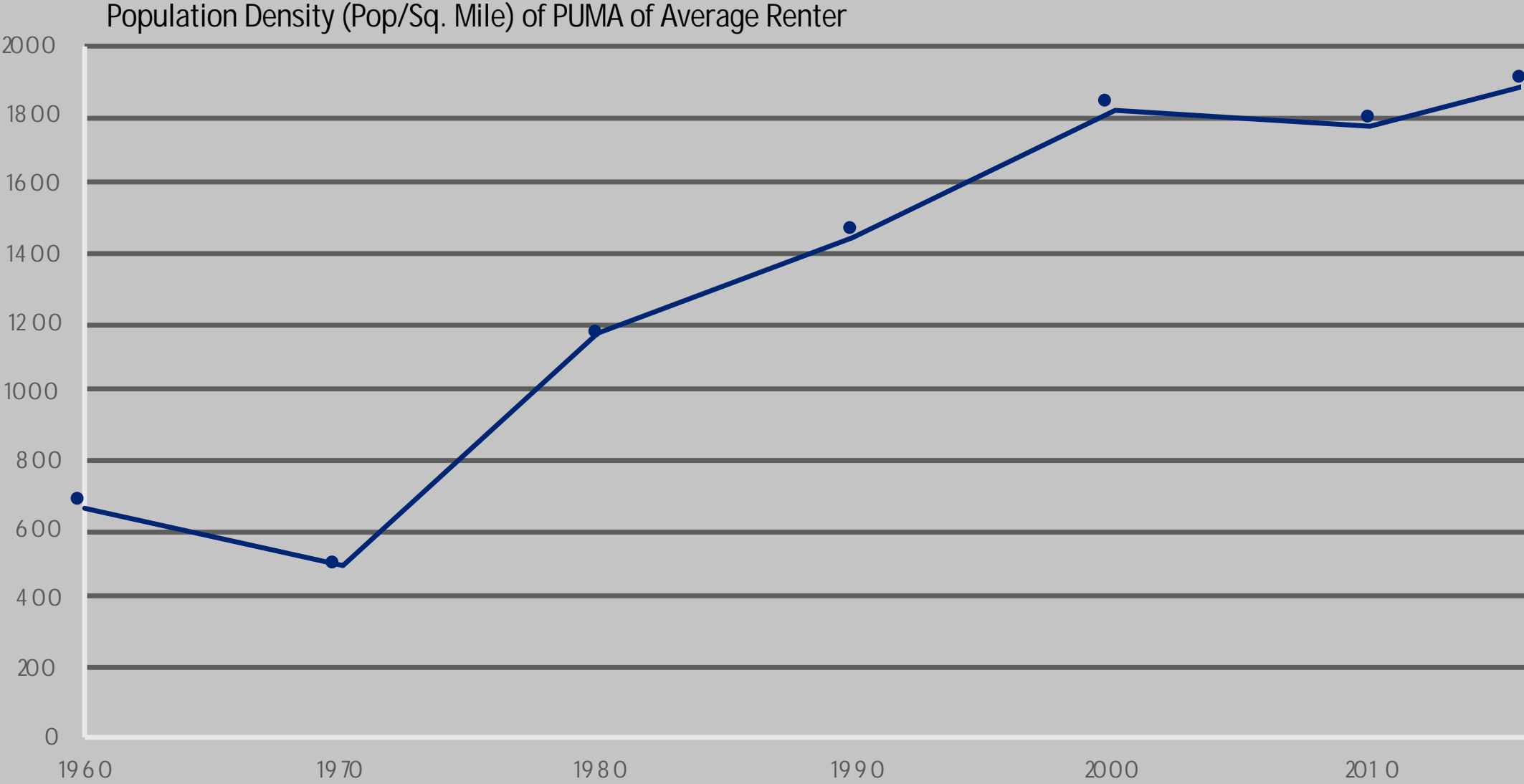
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Typical Renter Lives in Higher Density Area



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Four Types of Policies that Engage the Private Sector

1. Expand overall supply by easing regulatory barriers
2. Incentivize creation and preservation of dedicated, affordable homes
3. Help households access and afford private-market homes
4. Regulate/incentivize landlords to protect against displacement and poor housing conditions

(1) Expand Overall Supply by Easing Regulatory Barriers

- Higher density zoning
- Reduced parking requirements
- Streamlined permitting procedures
- Simplified building codes
- Allowing for construction innovations (modular?)
- Relaxing occupancy codes to facilitate home sharing

(2) Incentivize Creation and Renovation of Dedicated, Affordable Homes

- ! Incentives or requirements for affordable housing
 - ! Density bonuses
 - ! Inclusionary zoning
- ! Supporting creation/preservation of affordable housing through subsidies
 - ! Capital subsidies
 - ! Operating subsidies
- ! Providing land for affordable housing

Case Study: Preserving Public Housing in San Francisco through Rental Assistance Demonstration (P3)

- Aging public housing stock in need of repair
 - Backlog of over \$270m in immediate needs
 - Federally provided capital funds covered only 3.5% of annual needs
- Converted 3,500 public housing to private ownership with long-term, subsidy contracts through new federal RAD program
 - Private owners also accessed \$815 million in Low-Income Housing Tax Credit equity, \$331 million in permanent tax-exempt debt, and nearly \$500 million in seller financing.
 - Long-term affordability ensured through use of 99-year ground leases.
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Case Study: Preserving Public Housing in San Francisco through RAD (P3)

(3) Help Households Access and Afford Private-Market Homes

- Tenant-based rental assistance
 - Federally funded rent vouchers, provided locally
 - Recipients pay about 30% of income on rent
 - Voucher pays rest, up to rent ceiling.
- Efforts to help families to move to resource-rich neighborhoods
- Making homeownership more affordable
- Reducing energy use and costs
- Combatting housing market discrimination

Case Study: Housing Choice Vouchers in King County, WA

- The **King County Housing Authority** (KCHA) provides Housing Choice Vouchers to more than 11,000 households
 - Applicants are selected for voucher waitlist every 2-3 years via random lottery
- KCHA uses tiered subsidy system to ensure subsidy amounts accurately reflect market rents and help voucher holders reach high-cost areas
 - Payment standard for a one-bedroom rental ranges from \$1,085 in the lowest-cost areas to \$1,760 in the highest-cost areas.
- KCHA also offers escrow account to hold any rent increases resulting from increases in income.

(4) Regulate Landlords to Protect Against Displacement and Poor Housing Conditions

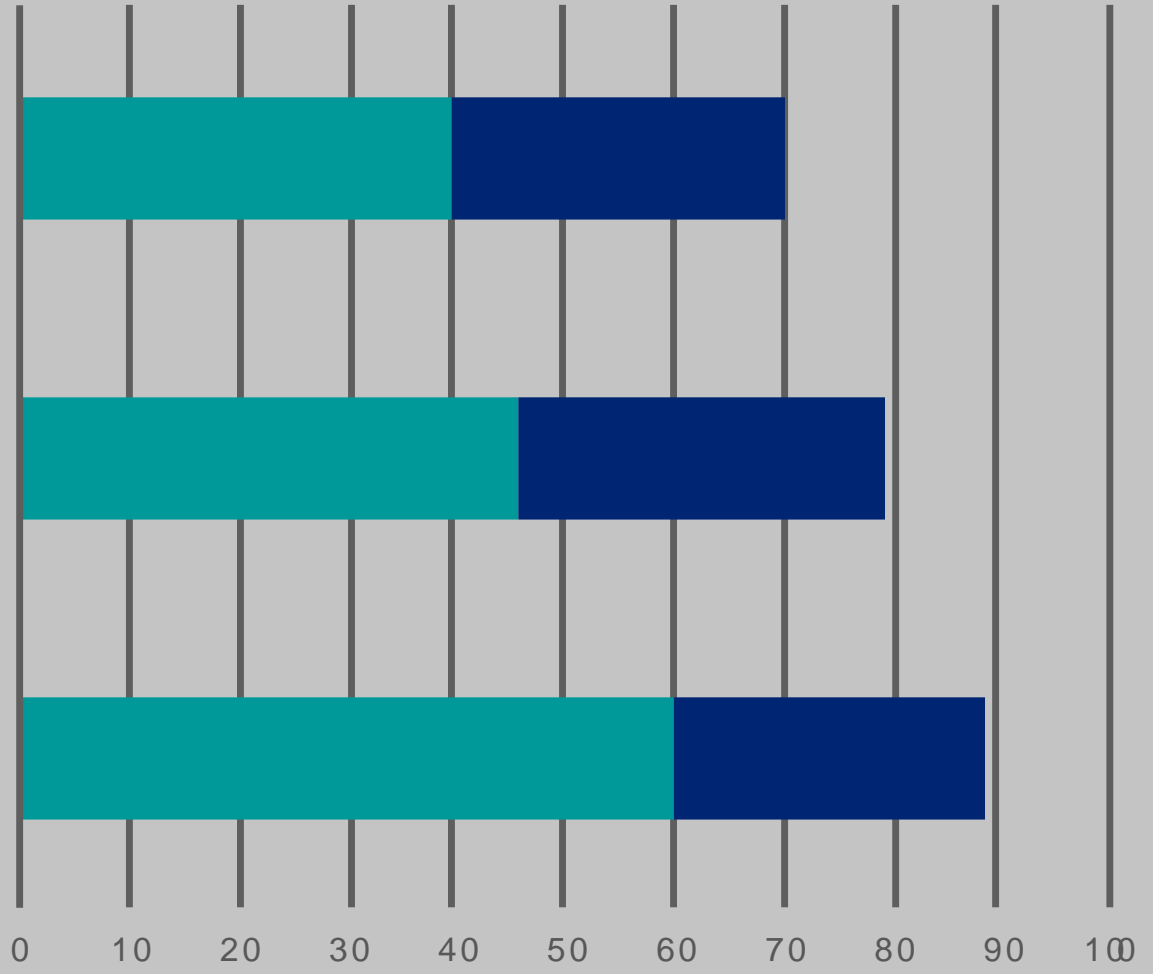
- Protecting tenants from harassment and eviction
 - Regulations, education, legal representation
 - Emergency financial assistance
- Foreclosure prevention
- Improving quality of existing housing
 - Code enforcement
 - Assistance for home modifications



- Landlords can evict tenants only for a set of specified reasons
 - Non-payment of rent, violation of obligation of tenancy after notice, illegal act, landlord use of property, sale or conversion of unit, rehabilitation, discontinued housing use
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Additional
tasks
Additional
tasks
Additional
tasks



Politics are Tricky

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Political Support for New Housing Varies with Scale in High Cost Cities

| | Small Scale | Large Scale |
|------------------|--------------|--------------|
| High Cost Cities | Low Support | High Support |
| Other Cities | High Support | Low Support |

Insulating Housing from Politics

- ! 
 - !  Missouri
 - !  Florida
 - !  Alabama
 - !  Louisiana
 - !  Texas
 - !  Arizona
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