

# AFFORDABLE HOUSING

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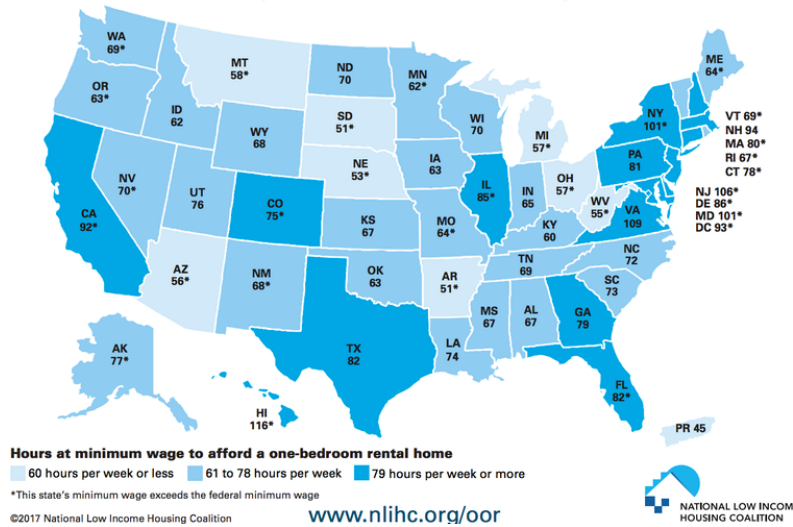
## THE PROBLEM

The percentage of people experiencing a housing cost burden in the U.S.—defined by the Department of Housing and Urban Development (HUD) as over 30 percent of one's income spent on housing—has risen to a staggering **48 percent** (5). High population growth, immigration, and industrialization are contributors to housing shortages (7). Whenever there is an influx of people living in cities, supply lags behind demand, resulting in price increases.

### OUT of REACH 2017 THE HIGH COST OF HOUSING

#### 2017 HOURS NEEDED AT MINIMUM WAGE NEEDED TO AFFORD RENT

In no state can a minimum wage worker afford a **ONE-BEDROOM** rental home at Fair Market Rent, working a standard 40-hour work week, without paying more than 30% of their income.

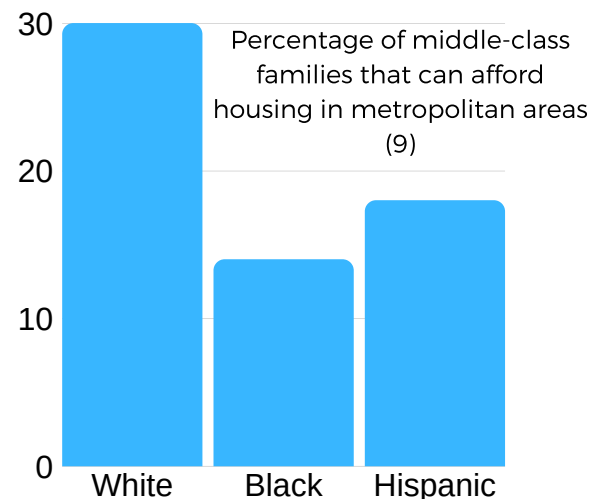


Longtime residents are often priced out of their homes (12) and forced to relocate to areas with fewer educational and economic opportunities. Low- and middle-income families are hit the hardest, but race also factors into the equation, with African American and Latinx families typically facing worse outcomes than white families (13). Today, more white and high-income people are moving to cities, thus increasing the effects of gentrification (4). Young people are also hugely affected, as almost **two-thirds of young adults aged 35 and under** rent (3). Local governments have implemented numerous policies to address these issues with varying degrees of success.

What can and should be done about this issue is the subject of much political debate...

## POLICY OPTIONS

- The federal government and HUD play a critical role in helping to mitigate this problem, usually in the form of **subsidies**
- The Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”) subsidize interest rates and down-payments for homes (1)
- **Easing land use and zoning regulations** (indirectly, by attaching strings to the Highway Trust Fund and other federal grants) is one method used to create more affordable housing (10)
- Boosting Low Income Housing Tax Credits is also done to accomplish this



# GOVERNMENT INTERVENTION

## RENT CONTROL

Rent control is primarily implemented by local ordinances to [prevent landlords from excessively raising what they charge](#) tenants. Rent control policy does more than just freeze rent: it also allows landlords and new tenants to negotiate a starting rent, requires “just cause” so tenants cannot be unfairly evicted, exempts new buildings from rent control, and offers landlord hardship provisions (2).

Likely to cause fall in rental supply (12)



## IZ LAWS

Inclusionary zoning (IZ) policies are enacted to incentivize developers (or mandate that they) offer a certain proportion of housing units at an affordable price. In theory, these policies seem like promising ways to tackle this issue. However, IZ laws can be [counterproductive](#), because in forcing developers to offer a certain amount of affordable housing units, the cost for other the other units goes up (6). In effect, fewer housing projects are undertaken, since these laws decrease developers' ability to make a profit while doing nothing to decrease building costs themselves.

Rent control and IZ laws are highly contested because many studies have found them to be ineffective measures

## THE UPSHOT

- Rent controls have been found to [inadvertently raise rent](#) for people living in uncontrolled apartments (8) and IZ laws can actually [decrease supply](#) since developers have less of an incentive to build
- Artificially lowering the price of housing ultimately results in loss of government revenue (11)
- These types of laws cause the price of non-subsidized homes to soar (the exact opposite of what these policies set out to do) and worsen the problem

## LONG-TERM SOLUTIONS

- Offering more subsidies to low-income families does help in the short-term, but does nothing to address the underlying issue
- Creating more housing (to keep supply in line with demand) is the [only viable long-term solution](#) to making housing affordable
- Construction of more high-density, high-rise apartment buildings could help overcome housing shortages, but developers typically balk at the steep construction costs
- Land use and zoning regulations slow down the process and thus increase overall costs; easing some of these regulations can help mitigate the problem

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