

THE CRIMINALIZATION OF HOMELESSNESS

Spring 2026

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READINGS, Parts I, II, III, IV, V & VI

Part I

Alex F. Schwartz, Housing Policy in the United States (2014).....	1
Peter H. Rossi, The Old Homelessness and the New Homelessness in Historical Perspective, American Psychologist, Aug. 1990, at 954-959	7
National Alliance to End Homelessness: The State of Homelessness, 2025.....	13
National Homelessness Law Center, Housing Not Handcuffs 2019, at 9-15	37
USICH, Implementing Housing First in Permanent Supportive Housing (2014)	45
Joe Lonsdale & Judge Glock, 'Housing First' Foments Homelessness in California, Wall St. J. (op-ed), Nov. 18, 2022.....	47
The White House, Ending Crime and Disorder on America's Streets, Exec. Order 14321, July 25, 2025	49
Florida HB 1365 (codified as Fla. Stat. § 125.0231).....	54

Part II

Robinson v. California, 370 U.S. 660 (1962)	61
Powell v. Texas, 392 U.S. 514 (1968)	91
Pottinger v. City of Miami, 810 F. Supp. 1551 (1992).....	148
Tobe v. City of Santa Ana, 892 P.2d 1145 (Cal. 1995).....	183
Joel v. City of Orlando, 232 F.3d 1353 (11 th Cir. 2000)	
Martin v. City of Boise, 920 F.3d 584 (9 th Cir. 2019)	192
Johnson v. City of Grants Pass, 50 F.4th 787 (9 th Cir. 2022)	229
City of Grants Pass v. Johnson, 144 S. Ct. 2202 (2024).....	274

Part III

Fulton v Fulton Cnty Bd. of Comm'rs, 148 F.4 th 1224 (11 th . Cir. 7/31/25).....	317
Lavan v. City of Los Angeles, 693 F.3d 1022 (2012)	376
Toombs v. State of Florida, No. 15-220 AC (11 th Cir. Fla. 7/11/17).....	383
Messina v. City of Ft. Lauderdale, 546 F.Supp.3d 1227 (S.D. Fla. 2021).....	390
Wayne Wagner, Homeless Property Rights: An Analysis of Homelessness, Honolulu's "Sidewalk Law," and Whether Real Property Is a Condition Precedent to the Full Enjoyment of Rights under the U.S. Constitution, 35 U. Haw. L. Rev. 1976 (2013).....	421
Fort Lauderdale Food Not Bombs v. City of Fort Lauderdale, 901 F.3d 1235 (11 th Cir. 2018)	439
Fort Lauderdale Food Not Bombs v. City of Fort Lauderdale, 11 F.4th 1266 (11 th Cir. 2021)	447
Letter to City Attorney, El Cajon, CA, re: Food Sharing Ban, Dec. 6, 2017.....	462
Lindsey v. Normet, 405 U.S. 56 (1972).....	465
Callahan v. Carey, N.Y.L.J., Dec. 11, 1979, at 10, col. 5 (Sup. Co. N.Y. Co., Dec. 5, 1979).....	466
Callahan v. Carey, Consent Decree (1981).....	469
James Welcome, Shocking the Conscience of the Court: The Case for a Right to Emergency Shelter for Families with Children in Connecticut, 8 Quinn. Health L.J. 1 (2004)	480
Bradley R. Haywood, The Right To Shelter as a Fundamental Interest under the New York State Constitution, 34 Colum. Hum. Rts. L. Rev. 157 (2002).....	486
Thomas J. Main, Homelessness in New York City: Policymaking from Koch to de Blasio (2016).....	491
Letter to Judge Deborah Kaplan seeking modification o Callahan Consent Decree, May 23, 2022	495
Emergency Executive Order No. 224 (Oct. 7, 2022).....	527
Emma G. Fitzimmons et al, Adams Weakens Right-to-Shelter Rules, Anticipating Migrant Surge, NY Times, 5/10/23.....	530
Jeffrey C. Mays, New York City Asks for Relief From Its Right-to-Shelter Mandate, N.Y. Times, May 23, 2023	533
Mayor Adams' Statement on New York City's Right to Shelter Law, May 23, 2023	536
Greg B. Smith & Gwynne Hogan, Adams Admin Takes Second Shot at Suspending 'Right to Shelter' in New Court Filing, The City, Oct. 3, 2023.....	537
Emma Whitford, NYC Mayor's Latest Bid to Suspend Adult Shelter Rights Cools in Court, City Limits, Oct. 19, 2023International Covenant on Economic, Social and Cultural Rights,	

G.A. res. 2200A (XXI), 21 U.N.GAOR Supp. (No. 16) at 49, U.N. Doc. A/6316 (1966), 993 U.N.T.S. 3, entered into force Jan. 3, 1976	540
Gynne Hogan, New York’s ‘Right to Shelter’ No Longer Exists for Thousands of Migrants, The City, Dec. 18, 2023	542
International Covenant on Economic, Social and Cultural Rights (1976)	548
The Government of the Republic of South Africa v. Grootboom (Constitutional Court of South Africa, Case CCT 11/00, Judgment of 4 Oct. 2000)	550
Cass R. Sunstein, "Social and Economic Rights? Lessons from South Africa" (John M. Olin Program in Law and Economics Working Paper No. 124, 2001)	560
Ben A. McJunkin, The Negative Right to Shelter, 111 Cal. L. Rev. 127 (2023).....	563
Mila Versteeg, et al., The New Homelessness, 113 Cal. L. Rev. 434 (2025)	637
Part IV	
DREDF, Legal Advocacy for Unhoused People with Disabilities, January 2025	691
Tyson v. City of San Bernardino, Order/Preliminary Injunction, No. EDCV 23-01539 (C.D. Cal. 1/12/24).....	719
Judge Dismisses San Bernardino Homeless Lawsuit, Lifts Injunction, HEY SOCAL,10/8/24	735
Nicole Comstock, City of San Bernardino cleared to start removing homeless encampments after reaching settlement with ACLU, CBS LA, 10/2/24	738
Part V	
Deborah K. Padgett et al., Housing First: Ending Homelessness, Transforming Systems, and Changing Lives (2015).....	739
Karen Mahar, Not Getting By: Poverty Management and Homelessness in Miami, ch. 5: Contemporary Homelessness in Miami (FIU, Ph.D. Thesis, 2012).....	749
Congressional Research Service, Homelessness: Targeted Federal Programs 3-6 (CRS Rep. 7- 5700, RL 30442, Oct. 18, 2018)	766
McKinney-Vento Act, 42 U.S.C. § 11302	770
McKinney-Vento Act, 42 U.S.C. § 11434a	771
Homeless Trust Census Results, 2024 & 2053 1996-2025; Street Count by Neighborhood, 1992-2023.....	772
NLCHP, Don’t Count on It: How the HUD Point-in-Time Count Underestimates the Homelessness Crisis in America (2017).....	777
Sjostedt, Even the Mayor Felt Confused When San Francisco Tried to Count Its Homeless Population, The San Francisco Standard, Feb. 1, 2004	789
National Center for Homeless Education, Student Homelessness in America, 2019-2022	795
Amy DiPierro & Corey Mitchell, Hidden Toll: Thousands of Schools Fail to Count Homeless Students, Chalkbeat, Nov. 15, 2022	821
National Council of State Legislatures, Report: Youth Homelessness Overview.....	831
iCount Miami 2019-2022	845
Camillus House, Causes of Homelessness	849
Guy Johnson & Chris Chamberlain, Homelessness and Substance Abuse: Which Comes First?, 61(4) Australian Social Work 342 (2008).....	852
The Council of Economic Advisers, The State of Homelessness in America (Sept. 2019).....	859
Gregg Colburn & Clayton Page Aldern, Homelessness Is a Housing Problem 3-31	864
Soon Kyu Choi et al., Serving our Youth 2015: The Needs and Experiences of Lesbian, Gay, Bisexual, Transgender and Questioning Youth Experiencing Homelessness	879
Washington State Coalition Against Domestic Violence et al., The Intersection of Domestic Violence and Homelessness (June 2013)	883
James D. Wright & Amy M. Donley, Poor and Homeless in the Sunshine State: Down and Out in Theme Park Nation (2011)	896
Camillus House, Our History and Mission	904
Camillus House, What Is the Homeless Trust, and How Does Camillus House Relate to It?	914
Chapman Partnership, Housing.....	915
Miami-Dade County Homeless Trust, About Us; About Us	917
Miami-Dade County Homeless Trust, FY 2025-2026 Adopted Budget and Multi-Year Capital Campaign.....	919
Sarah L. DeWard & Angela M. Moe, “Like a Prison!?”: Homeless Women’s Narratives of Surviving Shelter, 37(1) J. Sociol. & Soc. Welfare 115 (2010)	929
Laura Nichols, Homelessness and the Mobile Shelter System: Public Transportation as Shelter, 40 J. Soc. Pol. 40(2)	933
NLCHP, Tent City USA: The Growth of America’s Homeless Encampments and How Communities Are Responding (2017)	938

Deborah K. Padgett, Benjamin Henwood, and Sam J. Tsemberis, <i>Housing First: Ending Homelessness, Transforming Systems, and Changing Lives</i> , ch. 3: Three Lineages of Homeless Services (Oxford, 2015)	947
National Alliance to End Homelessness, <i>Fact Sheet: Housing First</i> (April 2016)	952
Nicholas Pleace, <i>Housing First Guide: Europe</i> (2016)	954
Kelly McEvers, <i>Utah Reduced Chronic Homelessness By 91 Percent; Here’s How</i> , NPR, 12/10/15.....	967
Jack Tsai et al., <i>A multi-site comparison of supported housing for chronically homeless adults: “Housing first” versus “residential treatment first,”</i> <i>Psychol. Serv.</i> 2010, 7(4): 219-232 (excerpts)	970
Stephen Eide, <i>Housing First and Homelessness: The Rhetoric and the Reality</i> (Manh. Inst. Apr. 2020).....	972
Congressional Research Service, <i>Homelessness: Targeted Federal Programs 3-6</i> (CRS Rep. 7-5700, RL 30442, Oct. 18, 2018)	995
The White House, <i>Continuing the Reduction of the Federal Bureaucracy</i> , Exec. Order 14238, March 14, 2025	1005
Richard Fowler, <i>Doge Days: Inside the Dismantling of the Federal Homelessness Agency</i> , <i>Forbes</i> , 4/30/25.....	1007
Katherine Hapgood, <i>Trump administration policy change makes deep cuts to homeless permanent housing program</i> , <i>Politico</i> , 11/13/2025	1011
Danielle Dawson, <i>Oregon homeless service groups say Trump’s overhaul of key housing program will exclude them from funding</i> , <i>Investigate West</i> , Nov. 14, 2025.....	1013
Danielle Dawson, <i>HUD says homeless services program overhaul on pause after federal in-junction</i> , <i>Investigate West</i> , Jan. 12, 2026.....	1015
Jose Davila IV, <i>Top state official wants to force some Utahns into treatment at new homeless campus</i> , <i>The Salt Lake Tribune</i> , 9/20/25	1019
Borck Marchant & Jose Davila IV, <i>Utah’s plan for massive homeless shelter draws heat from advocates, community leaders</i> , <i>The Salt Lake Tribune</i> , 11/19/25.....	1021
Governor Newsom’s <i>New Plan to Get Californians in Crisis Off the Streets and into Housing, Treatment, and Care</i> (Cal. Governor’s Office)	1023
Erin Baldassari, <i>CARE Court Was Supposed to Help Those Hardest to Treat. Here’s How It’s Going</i> , <i>The California Report</i> , 10/2/24 (updated 1/29/25).....	1026
Joy Dockter, <i>The Promise and Perils of of CARE Court</i> , <i>Western Center on Law & Poverty</i> , 7/25/25.....	1048
Marisa Kendall, <i>New California law expands Newsom’s Mental Health Court</i> , <i>CalMatters</i> , 12/27/25.....	1032
Marisa Kendall, <i>Why Newsom’s Care Court has struggled to help homeless Californians most in need</i> , <i>CalMatters</i> , 12/18/25.....	1048
Craig Willse, <i>The Value of Homelessness: Managing Surplus Life in the United States</i> ch. 5 (2015).....	1063
Loïc Wacquant, <i>Punishing the Poor: The Neoliberal Government of Social Insecurity</i> (2009)	1093
Steve Binder & Amy Norton-Newell, <i>Returning Home . . . to Homelessness, Experience</i> (ABA), Vol. 23(3) (2014)	1106
<i>CARE Court will change how California addresses serious, untreated mental illness</i> , <i>LA Times</i> , 9/15/22	1111
<i>When New Miami Center Opens, arrestees with mental illness can be treated, not jailed</i> , <i>Miami Herald</i> , 2/11/24	1113
<i>Materials on CARE Court and NYC mental health initiatives</i> (Optional).....	1117
Ellickson, <i>Controlling Chronic Misconduct in City Spaces</i> , 105 <i>Yale L.J.</i> 1165 (1996).....	1156
Schnably, <i>Rights of Access and the Right to Exclude</i>	1167
Amster, <i>Patterns of Exclusion</i> , 30(1) <i>Social Justice</i> 195 (2003)	1174
Leonard Feldman, <i>Citizens without Shelter</i> (2004)	1178
Duplicates (included in error) (pp. 1183-1209).....	1183
Part VI	
Mary Ellen Klas, <i>Where did \$1.3 billion for affordable housing go? Florida Legislature took it</i> , <i>Miami Herald</i> , March 31, 2017	1210
Holland & Knight, <i>Florida’s New Live Local Act Offers Land Use and Tax Benefits</i> (2023).....	1213
Mitch Perry, <i>Advocates hailed a new law to help stabilize FL’s housing crisis, but implementation has been rocky</i> , <i>Florida Phoenix</i> , Oct. 13, 2023.....	1216
Holland & Knight, <i>Florida Legislature Amends Live Local Act’s Land Use Provisions</i> (2024).....	1219
Holland & Knight, <i>2025 Updates to Florida’s Live Local Act</i> (2025)	1224
Sofia Baltodano, <i>New development breaks ground in Allapattah as Miami advances first Live Local Act housing projects</i> , <i>WLRN Public Media</i> , 2/13/26.....	1226
Terner Center for Housing Innovation, <i>New Pathways to Encourage Housing Production: A Review of California’s Recent Housing Legislation</i> (2023)	1228
Terner Center for Housing Innovation, <i>California Housing Supply and Land Use Legislative Round-Up 2025</i>	1243
Michael Wallace, <i>What the Housing for the 21st Century and ROAD to Housing Acts Mean for Local Governments</i> (National League of Cities), 2/13/26	1250
Rebec Picciotto, <i>How Congress Plans to Take on the Housing Crisis</i> , <i>Wall St. J.</i> , 2/16/26	1253

David M. Dworkin, The Quiet Part Out Loud: Housing Affordability Is Not a Zero-Sum Game, 1/25/2026.....	1257
Ezra Klein and Derek Thompson, Abundance 40-53 (2025).....	1271
Julie Z. Weil, Are YIMBYs winning the housing wars?, Washington Post, 2/1/2026.....	1282
Julie Z. Weil, Why Nobody Really Knows the Scale of the U.S. Housing Crisis, Washington Post, 2/4/2026.....	1282
Ronda Kaysen, Why Building Alone Won't Solve the Housing Crisis, NY Times, 2/5/2026	1286
Sandeep Vaheesan, The Real Path to Abundance, Boston Review, May 22, 2025	1288
Public Housing Myths: Perception, Reality, and Social Policy 1-28 (Nicholas Dagan Bloom et al., eds. 2015)	1308
Howard Husock, How New York's Public Housing Fails the City's New Poor, Manhattan Institute, Issue Brief, Oct. 2017.....	1336
Peter Harrison, The Manhattan Institute Dumps on NYCHA, Again. And Fails, Again, Medium (2017)	1345
Michaela Zonta, Community Land Trusts: A Promising Tool for Expanding and Protecting Affordable Housing (Center for American Progress June 2016)	1351
Laurie Goodman and Amalie Zinn, What Is the Build to Rent Sector, and Who Does It Serve?, Urban Institute (June 2023).....	1375
Matthew Goldstein, Trump Decries a 'Nation of Renters' but His New Policy Promotes One, NY Times, 2/11/2026	1388
Jared Mitovich, Massachusetts Weighs Return of Rent Control, Dividing Top Democrats, Wall St. J., 2/16/26	1391
Urban Institute, Rent Control: Key Policy Components and Their Equity Implications (2021)	1393
Matthew Desmond, Evicted: Poverty and Profit in the American City 295-313 (2016)	1412

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Where did \$1.3 billion for affordable housing go? Florida Legislature took it.

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Miami Herald, The (FL) - March 31, 2017

Author/Byline: *Mary Ellen Klas, Miami Herald* **Section:** *state politics*

Florida has an affordable housing problem, but you wouldn't know it from the proposed budgets that emerged this week from state lawmakers.

For the 10th year in a row, the governor and legislature are proposing to sweep money from the affordable housing trust funds into the general revenue fund to spend on other purposes. Since the start of the Great Recession, that has added up to \$1.3 billion.

This year, the trust funds will collect about \$292 million for affordable housing from the documentary stamp taxes on real estate transactions. The draft Senate budget released last week allocates \$162.4 million of the funds into affordable housing while the House and Gov. Rick Scott propose spending even less of the proceeds on housing — \$44 million.

"Housing is definitely a problem, but the issue is we aren't going to just throw more affordable housing into South Florida," said Rep. Carlos Trujillo, R-Miami, chair of the House Appropriations Committee, adding that he believes the program couldn't absorb more than the House will give it.

Besides, he adds, "the reality is there's only a 60-day legislative session. There's only so many issues you can tackle in 60 days."

A steady stream of recent reports offers a window into the wilting American dream of affordable housing across Florida.

Nearly one million very low-income Florida households pay more than 50 percent of their incomes for housing. The state has the third highest homeless population — 34,000 — in the nation.

More people in Broward County spend 30 percent of their income on housing than anywhere else. Renters in South Florida's black communities spend 58 percent of their income on rent.

Miami ranks No. 1 in housing costs for people of moderate incomes. Orlando, once a haven for affordable housing, is tied with Las Vegas as the city with the greatest shortage of rentals for low-income tenants. And rent in Tampa is getting more expensive faster than anywhere else.

As home ownership has declined, population growth has continued and wages remain stagnant, there is an increasing demand for low income housing.

Florida legislators saw this coming 25 years ago when they put a 10 cent surcharge (per \$100 of amount paid) on every real estate transaction and directed the money into the William E. Sadowski Affordable Housing Trust Funds to go into state and local housing programs. Three years later, they steered another 10 cents of the tax into the funds.

A vestige of the growth management laws and named after the former head of the state's planning and growth management agency, the funds were designed to leverage private and federal funding to help develop affordable housing for the workforce, the elderly and disabled as Florida grew.

But, as with much of Florida's growth management laws, lawmakers broke their promise. Of the \$1.87 billion collected and deposited in the trust funds since the recession in the 2008-09 fiscal year, lawmakers diverted nearly \$1.3 billion to other purposes — from tax breaks to spending.

The first sweep occurred in 2003 under former Gov. Jeb Bush. The housing boom had expanded the trust funds to \$392 million and lawmakers wanted to skim the excess into other needs. But when the recession hit, and Florida's budget tanked, the sweeps continued.

The Shimberg Center for Housing Studies at the University of Florida reports that between 1993 and 2012, Florida lost at least 51,000 rental units that were privately owned and publicly subsidized and, by 2020, another 43,200 subsidized rental units could be gone.

According to the Florida Housing Coalition, a non-profit housing advocacy group, Florida now has only 22 affordable and available rental units for every 100 of the state's poorest renters, and the market for starter homes is weak.

The Sadowski Coalition, 30 diverse groups that include the Florida Housing Coalition, AARP, the Florida Realtors Association, the Florida Chamber of Commerce, the Florida Home Builders Association and Associated Industries of Florida, is urging lawmakers to leave the money collected by doc stamp taxes in the funds.

facilitator of the Sadowski Coalition. "We deal with that regularly. The Senate usually comes out with higher funding and the House picks up the governor's budget and we have that heavy lift to get to a compromise."

Working in every county

The coalition argues that the programs have a proven track record working in partnership with all 67 counties and local governments to provide programs to help families find and keep affordable housing, offering everything from assistance with down payments, closing costs, home repairs and rehabilitation of rental housing.

If lawmakers leave the \$272 million available, the projects that could be completed would bring \$3.78 billion in positive economic impact into the state's economy and 28,700 jobs, the coalition claims.

The Sadowski funds go to Florida Housing Finance Corp., an independent agency, which distributes 70 percent of its funds to the State Housing Initiatives Partnership program (SHIP) to provide affordable housing to low- to moderate-income families. The agency gives the remaining 30 percent of the Sadowski money to the State Housing Trust Fund for programs such as the State Apartment Incentive Loan (SAIL), which provides low-interest loans on a competitive basis to affordable housing developers.

Trujillo noted there is another source of funds available for affordable housing this year — \$111 million in revenues earned from administering a successful housing loan guarantee program that has run its course. But housing advocates say that money already belongs to the Florida Housing Finance Corp. and should not be used to supplant revenues from the doc stamps for the affordable housing programs.

A misunderstood scandal

House Speaker Richard Corcoran, R-Land O'Lakes, and Trujillo defended the House's funding levels last week, and argued that Sadowski fund has not only become too large but too generous.

"Affordable housing has grown around this huge source of money so it's no longer the people who can't afford housing, now it's those people who struggle to afford adequate housing but they are fully salaried and employed," Corcoran said.

He also pointed to recent sanctions and investigations against two developers who submitted inflated claims to the Housing Finance Corp. to qualify for higher federal subsidies to do work on four low-income housing projects in Miami-Dade County. The projects were not affiliated with the Sadowski-financed programs, and no state funds were used.

"The affordable housing industry, has been wracked with not repugnant scandal, it's been wracked with graft and corruption resulting in prison sentences," Corcoran said. "I think there needs to be reform in that whole thing."

But Ross urges them to make a distinction between the federally funded programs and those operated with Sadowski money.

"The scandal involving South Florida developers is shameful," she said. "The good news is that the Legislature can rest assured that no Sadowski State and Local Housing Trust Funds were involved with any of those developments. The abuse committed was with the federal tax credit program.

"That program is administered by the Florida Housing Finance Corporation, which also oversees the Sadowski state and local housing trust funds, so confusion about this is understandable, but our state and local housing trust programs played no part in those abuses."

She also sent House and Senate leaders a letter providing clarifications and attempting to assure them the programs have had "no misuse of funds" in their 25-year history.

Federal cuts loom

Complicating the future of affordable housing is the proposal by President Donald Trump to eliminate \$6 billion in housing assistance programs at Housing and Urban Development, including two programs dedicated to affordable housing — the Community Development Block Grants and the HOME Investment Partnership.

Fewer people own homes in Florida than they did prior to the recession and, as the home ownership rate has dropped from a peak of 71 percent in 2007 to 64 percent in 2015, rental costs have risen.

"There was no housing built during the recession, and now with enough funds to build 3,000 to 5,000 units, we can't keep up," said George Romagnoli, Pasco County community development director and chairman of the Florida Housing Coalition.

The shortage of affordable housing extends into moderate income communities as well, where teachers, first responders, nurses and others often can't find homes near their jobs, according to data compiled by the coalition in its 2016 Home Matters report.

For example, a report by the National Association of Home Builders found that dental assistants, paramedics, firefighters and elementary school teachers living in the Lakeland metro area — considered the third most affordable region in the state

Childcare workers, maids and housekeepers, landscapers, nursing assistants and janitors earning the average wage in Miami or Orlando don't earn enough to rent a one-bedroom apartment in either of those metro areas, the data show.

According to two charts created by the Sadowski Coalition listing the number of housing units that could be built in each House and Senate district if the programs were fully funded, there would be 241 additional housing units built in Corcoran's Pasco County district and 1,908 in Trujillo's alone. Statewide, there could be 12,657 homes built, housing an estimated 92,881 people.

Future shock

Sen. Jeff Brandes, R-St. Petersburg, chair of the Senate Transportation, Tourism and Economic Development Committee fears that Florida's affordable housing problem is going to get worse and he says the model used to develop affordable housing is unsustainable.

"The problem I see coming for Florida is we have another 5 million people potentially moving to the state by 2030 where already there is a situation where the average cost per affordable housing unit is costing between \$150,000 to \$200,000 to construct," he said. "The math simply doesn't add up."

He held a workshop last week to discuss approaches to help fill the gap in affordable housing. He said his goal is to pass legislation this year that creates a task force to look into the problems.

Trujillo also argues that it is unrealistic to expect to build enough housing in a year to use all the money going into the Sadowski funds, and he's no fan of the trust funds, anyway.

"I don't believe in trust funds in general," he said. "The revenue stream is not voluntary. People who buy properties have to pay a tax, the doc stamps, in order to fund a trust."

Mark Hendrickson, a member of the housing coalition board who specializes in affordable housing financing, agrees lawmakers shouldn't fund the program because it's a trust fund.

"I agree with the speaker about trust funds," he said. "But our contention is the program should be funded because it is needed, it has leveraged millions of dollars to help people get access to safe and affordable housing, and it's effective."

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Florida's New Live Local Act Offers Land Use and Tax Benefits

August 8, 2023

Holland & Knight Alert

[Pedro Gassant](#) | [Alessandria San Roman](#) | [Lawrence E. Sellers](#)

Highlights

- Florida Gov. Ron DeSantis signed into law Senate Bill 102, the Live Local Act (the Act), on March 28, 2023, with an effective date of July 1, 2023.
- The Act mandates that a local government authorize the development of multifamily rentals on sites that are zoned as mixed-use residential, commercial or industrial if at least 40 percent of the residential units in a proposed multifamily development will, for a period of at least 30 years, be affordable to individuals making up to 120 percent of the local area median income (AMI).
- In addition, a county or municipality must apply the highest "allowed" density on any land within its jurisdiction to the proposed multifamily development, while the maximum height is determined based on the highest currently allowed height for commercial and residential development located within 1 mile of the proposed development. At a minimum, the Act mandates that a local jurisdiction allow the proposed development to build to a height of three stories.
- The Act provides that certain developments will be eligible for a 75 percent or 100 percent ad valorem tax exemption, depending on the level of rent restriction for the units, which will first apply to the 2024 tax roll and require a certification notice issued by the Florida Housing Finance Corporation (FHFC).

Florida Gov. Ron DeSantis signed into law Senate Bill 102 on March 28, 2023, with an effective date of July 1, 2023. Commonly referred to as the Live Local Act (the Act), it has significant land use, zoning and tax benefits that will now be available to developers and investors. This Holland & Knight alert provides a general outline of the Act's impact on land use and zoning, as well as a general summary of the Act's benefits from a tax perspective.

Land Use and Zoning Benefits

The Act mandates that a local government authorize the development of multifamily rentals on sites that are zoned as mixed-use residential,¹ commercial or industrial if at least 40 percent of the residential units in a proposed multifamily development will, for a period of at least 30 years, be affordable to individuals making up to 120 percent of the local area median income (AMI), referred to as the Threshold Requirement.

The Act provides that a county or municipality cannot require a proposed multifamily development that will comply with the Threshold Requirement to obtain a land use, zoning, special exception, conditional use approval, variance or comprehensive plan amendment with respect to building height, zoning and density.

Once a multifamily project complies with the Threshold Requirement, a county or municipality must apply the highest "allowed" density on any land within its jurisdiction to the proposed multifamily development. Furthermore, once a project complies with the Threshold Requirement, the local jurisdiction cannot restrict the height of the proposed development below the highest currently allowed height for a commercial or residential development located in the local jurisdiction within 1 mile of the proposed development. At a minimum, the Act mandates that a local jurisdiction allow the proposed development to build to a height of three stories.

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There are a panoply of issues associated with the ability to utilize the Act. For example, there are various jurisdictions in South Florida that do not provide for a density per acre but provide for a "pool" of units that can apply to properties. Naturally, one of the questions that arises is regarding the "maximum" density in such jurisdictions. Notwithstanding such issues, the Act provides a path that certainly is tailored toward increasing the inventory of affordable and workforce housing in Florida.

Tax Benefits

The Act provides that certain developments will be eligible for a 75 percent or 100 percent ad valorem tax exemption, depending on the level of rent restriction for the units. If at least 71 units are affordable to natural persons earning up to 80 percent of the AMI,² then each unit provided to such persons qualifies for a 100 percent ad valorem tax exemption. If at least 71 units are affordable to natural persons earning more than 80 percent of the AMI and up to 120 percent of the AMI, then each unit provided to such persons is eligible for a 75 percent ad valorem tax exemption. These exemptions first apply to the 2024 tax roll and require a certification notice issued by the Florida Housing Finance Corporation (FHFC).

New Tax Exemptions

This exemption applies throughout Florida without further action by local governments.

The Act defines eligible property to include units in a "newly constructed" multifamily project containing more than 70 units dedicated to housing natural persons or families below certain income thresholds. Newly constructed is defined as an improvement substantially completed within five years before the property owner's first application for the exemption. The units must be occupied by such persons or families and rent limited so as to provide affordable housing at either the 80 percent to 120 percent AMI threshold. Rent for such units also may not exceed 90 percent of the fair market value rent as determined by a rental market study. If an occupied unit qualifies for this exemption and the following year it is vacant on Jan. 1, the vacant unit is eligible for the exemption provided it meets the other requirements and a reasonable effort is made to lease the unit to eligible persons or families.

Units subject to a recorded agreement with the FHFC under Ch. 420, F.S., to provide affordable housing and property receiving an exemption under Section 196.1979, F.S., as created by a local affordable housing exemption ordinance, are not eligible to receive this exemption.

Procedure

The exemption first applies to the 2024 tax roll and will be repealed on Dec. 31, 2059.

To receive this exemption, a property owner must 1) file a certification form with the FHFC and 2) submit an application by March 1 to the local property appraiser, accompanied by the certification notice from the FHFC.

As part of the FHFC certification process, a property owner must submit a request on a form that includes:

1. the most recent market study (the study must have been conducted by an independent certified general appraiser in the preceding three years)
2. a list of units for which the exemption is sought
3. the rent amount received for each unit
4. a sworn statement restricting the property for a period of no less than three years to provide affordable housing

The certification process is administered within the FHFC. The agency's responsibilities include publishing the deadline for submission, reviewing each request, sending certification notices to both the successful property owner and appropriate property appraiser, and notifying unsuccessful property owners with reasons for any denial.

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Penalty

If the property appraiser determines that an exemption has been improperly granted within the last 10 years, the property appraiser must serve the owner with a notice of intent to record a tax lien. Such property will be subject to the taxes improperly exempted, plus a penalty of 50 percent and 15 percent annual interest. Penalty and interest amounts do not apply to exemptions erroneously granted due to clerical mistake or omission by the property appraiser.

For Further Assistance

If you have any questions or would like assistance regarding the recent Act requirements, please contact one of the authors.

Mischaël Cetoute, a former law clerk in the firm's Miami office, contributed to this alert.

Notes

¹ The zoning districts that comprise mixed-use districts are anticipated to be an issue in certain municipalities. For example, are Planned Area Developments or Planned Developments mixed-use districts?

² In Miami-Dade, the area median income is \$68,300. The upper income threshold for all of the programs (120 percent AMI) is \$81,960. Miami-Dade County's Workforce Housing Development Program includes families whose incomes are within 60 percent to 140 percent AMI. Therefore, while units restricted from 120 percent to 140 percent AMI qualify in the county, the aforementioned units do not count toward the minimum of 70 units required by the Live Local Act.

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Mitch Perry, Advocates hailed a new law to help stabilize FL’s housing crisis, but implementation has been rocky, Florida Phoenix, Oct. 13, 2023

Local officials on the ground working to help alleviate Florida’s housing crisis are now asking for a favor when the Legislature convenes in 2024: Fix the unintended consequences that came out of a signature policy initiative in the state Senate.

Florida lawmakers have already been hearing from elected local officials in the past few weeks, saying they need to readdress what’s called the “Live Local Act,” the new law that passed earlier this year to deal with issues that are hampering affordable housing and development in Florida.

“The Live Local Act, which I think your hearts are in the right place on it and we have a real workforce housing problem here in Hillsborough County, but what it does is it bypasses us as a local government when it comes to the land use and zoning,” Hillsborough County Commissioner Michael Owen, of Tampa Bay, said at a legislative delegation last month. “I would ask that you all take a look at it next year.”

That was a reference to the law that says a proposed development need only be “administratively approved” without having to get approval by a board of county commissioners if the project satisfies certain regulations.

Another twist? The law allows housing to be built in areas previously zoned only for industrial purposes.

At another recent legislative delegation meeting — in Pasco County — County Commissioner Jack Mariano said the Live Local Act was a “great thing for a lot of areas.” But he added that the law is also detrimental to long-term efforts by county officials to bring more businesses to the area, now that housing developments are allowed to be built in areas zoned as industrial.

Overall, officials in other communities say they’re grateful for the hefty pot of state money — \$711 million that was listed as the appropriation for the Live Local Act initiative, according to legislative records. But at the same time, they’re unhappy about the law’s inability to account for the unique characteristics inherent in each community when it comes to their comprehensive plans, by imposing a “one-size” fits all framework.

Florida’s two-month legislative session will begin Jan. 9, 2024, and some local government officials have been calling on state lawmakers to file a “glitch” bill even before the new session begins in January.

The Senate moved quickly

The Live Local Act was Senate President Kathleen Passidomo’s signature policy initiative going into the 2023 legislative session, and the bill moved quickly through both legislative chambers last spring.

Some Democrats criticized the measure for banning local governments from implementing rent control laws, but the legislation passed unanimously by the Senate on just [the second day of the session](#). The House passed it a few weeks later and Gov. Ron DeSantis signed it into law in March.

The law gives tax breaks to developers who create multifamily and mixed-use residential properties with at least 70 units in any area zoned for commercial, industrial or mixed-use if at least 40% of those units are dedicated to affordable units for a period of 30 years.

But there’s been pushback from local officials.

“I think it’s too early to really know all the potential unintended consequences of this legislation,” says Seminole County Commissioner Lee Constantine, in east Central Florida.

In his role as the [now former] president of the Florida Association of Counties, Constantine says he and his staff worked with Senate President Passidomo and her staff on suggestions as the bill was being drafted. He says the organization supported the proposal mostly because of the additional funding for state housing programs.

“Clearly the funding was needed and important, but we have never made any bones about the fact that we felt that there were some things that we did have concerns about,” he said about the final legislation. “Primarily taking away local governments ability in certain situations to govern when it comes to zoning and comp plans and we did feel that there would be, and we have suggestions for working towards suggestions on a glitch bill this year.”

Killing a crucial goal

Located on the west-central coast of Florida, Pasco County has been known as a bedroom community for people who work in Tampa and St. Petersburg because of its lower housing costs.

Local officials have worked for decades on recruiting more businesses in Pasco communities. But allowing housing to be built in areas zoned as industrial —now in the new law — will kill that crucial goal.

“Right now, 43% of our workforce commute outside the county, and it’s really what we call a talent drain,” says David Engel, the economic growth director for Pasco County.

“Our goal for a number of years is to balance our community so that we have job opportunities for our local labor force to avoid commuting ten to twelve hours a week in a car and causing our roadways to clog. So when we start taking indiscriminately industrial zoned areas that were earmarked for employment and we start inserting affordable housing projects inside of them, it causes quite a setback for us, because the employment is essential.”

Engel is an urban planner who was involved in housing policy for decades in New York.

“We applaud the state of Florida for providing some types of revenue, but to put a predominant amount of burden on counties and localities like Pasco County is not reasonable,” he says. “It undermines the broad approach of dealing with our workforce and affordable housing issues for our unmet needs. And it’s something that we would respectfully request be reconsidered.”

A six-month moratorium

In Doral, about 13 miles west of Miami, Mayor Christi Fraga and the city council approved [a six-month moratorium](#) on new development applications earlier this summer to give the city time to consider potential changes to its comprehensive plan and land development regulations in reaction to passage of the Live Local Act.

Fraga says that was needed to contend with a proposal from a South Florida developer that came to her before the Live Local Act passed this spring. The development includes the construction of 623 new apartments in five towers between 10 and 12 stories tall, according to [the South Florida Business Journal](#). The new law says a city or county may not restrict the height of a proposed development below the highest currently allowed for commercial or residential development within one mile of the development or three stories, whichever is higher.

“I felt it was just not consistent with that area – not anything that we would allow with our zoning code – and I rejected his proposal right from the start and just told him that it was definitely not something that anybody would be willing to welcome in that zone or that area, especially with the kind of zoning that he had,” she says. “And that’s when he told me that he was keeping an eye on the Live Local Act and if it passed, he was going to be utilizing the law.” (The developer – the Apollo Companies – did not respond to multiple requests for comment).

Fraga calls the Live Local Act another preemption bill that takes powers away from local governments when it comes to land use decisions. She says the moratorium was needed because the law didn’t create any procedures for cities to implement any safeguards.

“There was nowhere where our code could address applications such as the one we saw on a parcel that is 18 acres next to a traditional neighborhood with potential 14-story buildings,” she says.

The legislation’s criteria for what qualifies as an affordable housing project was expanded to include households who make up to 120% of average median income (AMI). That means that in a place like Miami-Dade County, a single person making up to \$81,960 or a family of four making up to \$117,000 is now eligible.

20 Local Live Act projects

Take for example the case of a proposed development on a closed golf course in Plant City, located east of Tampa in Hillsborough County. The planning board there has twice [rejected](#) a mixed-use proposal as being incompatible with the local community. But unbowed and undeterred, the developer, Walden Lake LLC, recently resubmitted a new proposal which they say will now qualify as a Live Local Project, according to the [Plant City Observer](#).

[The proposal](#) has 1,530 multifamily units and 468 townhome-style units made up of studio, one and two-bedroom unit up to three stories high.

The attorney representing Walden Lake LLC, Jacob T. Cremer, a partner with Stearns Weaver Miller in Tampa, said that his firm learned about the Live Local Act after the Plant City planning board rebuked their proposal for a second time earlier this year.

That’s when they pivoted towards providing more affordable housing in their package under the law to get it through a third time. And under the Act if it does receive administrative approval from Plant City, they won’t need to go through the planning board – meaning that the public won’t have the ability to weigh in on it.

Nick Brown is president of Save Walden Lake, a neighborhood association that has been opposing plans for developing that area for years. He says he appreciates the intent of the Live Local Act to “enable schoolteachers, policemen and firemen to be able to live close to where they work.” But he says that the developer’s new proposal is a complete “perversion” of the intent of the law, and says that his group is prepared to legally challenge it if it moves forward.

For his part Cremer says his firm is now working on upwards of twenty Local Live Act projects. He says developers are still trying to figure out if they can take advantage of the law so it works for them.

“The 40% affordable housing requirement is pretty substantial and so they have to make sure that it works for their investors and their lenders,” Cremer said. “So that takes a lot of time on the front end and we’re finding that it takes a long time to work with the local governments on these

Florida Legislature Amends Live Local Act's Land Use Provisions

March 12, 2024

Holland & Knight Alert

[Pedro Gassant](#) | [Alessandria San Roman](#) | [Lawrence E. Sellers](#) | [Vanessa Madrid](#) | [Misch Cetoute](#)

Highlights

- The Florida Legislature on Feb. 28, 2024, passed Senate Bill 328, which amends the Live Local Act (Amended Act). It becomes effective upon becoming law (except as otherwise provided).
- The Amended Act requires local governments to authorize the development of multifamily residential and mixed-use developments on sites that are zoned mixed-use residential, commercial or industrial if at least 40 percent of the residential units in a proposed multifamily development will, for a period of at least 30 years, be affordable to individuals making up to 120 percent of the local area median income (AMI).
- The major changes include provisions that limit a local government's ability to restrict the floor area ratio (FAR), clarify that the height and density maximums do not include bonuses, mandate a 20 percent parking reduction near transit and modify the maximum height when adjacent to single-family residential uses, under certain circumstances.

The Florida Legislature on Feb. 28, 2024, passed Senate Bill 328, which amends the Live Local Act (Amended Act). It becomes effective upon becoming law (except as otherwise provided). While most of the 2023 Live Local Act provisions remain the same, there are some significant changes in the Amended Act. This Holland & Knight alert provides a general outline of the changes in the Amended Act and discusses the potential impact on land use and zoning entitlements.¹

The chart below highlights the key changes to the 2023 Live Local Act:

Policy	2024 Live Local Act	2023 Live Local Act
Zoning Entitlements Mandated as of Right	<ul style="list-style-type: none"> • administrative approval, preempts issues re: density, floor area ratio (FAR), height, use and parking 	<ul style="list-style-type: none"> • administrative approval, preempts issues re: density, height, use
Parking Requirements	<ul style="list-style-type: none"> • eliminates parking requirements for projects within a Transit Oriented Development • reduces parking by at least 20 percent for projects within one-half mile of a major transportation hub 	<ul style="list-style-type: none"> • must "consider" reducing parking for projects within one-half mile of a major transit stop

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<p>Permitted Uses</p>	<ul style="list-style-type: none"> • multifamily residential • mixed-use² – at least 65 percent must be residential 	<ul style="list-style-type: none"> • multifamily residential • mixed-use – at least 65 percent must be residential
<p>Maximum Height</p>	<ul style="list-style-type: none"> • provides for highest currently allowed height for commercial or residential "building" within 1 mile or three stories, whichever is higher • limits height when project is adjacent to single-family homes, under certain circumstances 	<ul style="list-style-type: none"> • provides for highest currently allowed height for commercial or residential "development" within 1 mile or 3 stories, whichever is higher
<p>FAR</p>	<ul style="list-style-type: none"> • provides at least 150 percent FAR of the highest currently allowed FAR in the municipality 	<ul style="list-style-type: none"> • no provisions addressing this issue
<p>Calculations</p>	<ul style="list-style-type: none"> • clarifies that bonus entitlements are not included in the maximum height, density or FAR calculations, but projects may still be eligible for bonuses, which must be administratively approved • clarifies that projects will be considered conforming uses even after expiration of statute and the affordability period 	<ul style="list-style-type: none"> • no provisions addressing these issues

Some of the favorable provisions that were changed in the Amended Act are still available to applicants for proposed developments that are grandfathered in³ by the timing of their application. The Amended Act provides an opportunity for applicants to be grandfathered under the 2023 version of the law. Depending on the project's specifics, it may be to a developer's advantage to utilize either the 2023 provisions or submit a revised application to account for the new provisions in the Amended Act.

Land Use and Zoning Changes

If at least 40 percent of the residential units in a mixed-use or multifamily residential project will, for a period of at least 30 years, be affordable to individuals making up to 120 percent of the local area median income (Threshold Requirement), then local governments must administratively approve development of the project on sites that are zoned mixed-use, commercial or industrial.

The Amended Live Local Act provides that where the Threshold Requirement is met, a local government also cannot restrict the FAR of a proposed development, in addition to the existing prohibitions on restricting height, use and density.

Once a multifamily project complies with the Threshold Requirement, a local government must allow at least 150

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percent of the "highest currently allowed" FAR under the land development regulations. Additionally, a local government cannot restrict the height of the proposed development below the highest currently allowed height for a commercial or residential building located within the local jurisdiction within 1 mile of the proposed development. At minimum, the Amended Act mandates that a local jurisdiction allow the proposed development to build at a height of three stories.

The Amended Act clarifies that the "highest currently allowed" density and height provisions do not include any building that 1) was approved under the previous version of the bill or 2) has received a bonus, variance or other special exception for density. However, the Amended Act further clarifies that if a development qualifies for a density, height or FAR bonus pursuant to the jurisdiction's regulations, then the local government must administratively approve such bonus without further action by the governing body.

The Amended Act also carves out a new exception for height determinations where the proposed development is "adjacent" to properties zoned for single-family use, under certain circumstances. If a proposed development is adjacent to⁴, on two or more sides, a parcel zoned for single-family residential use that is within a single-family residential development with at least 25 contiguous single-family homes, then the height of the proposed adjacent development is limited to 150 percent of the tallest building on any property adjacent to the proposed development, the highest currently allowed height for the property provided in the land development regulations or three stories, whichever is higher.

The Amended Act strengthens the parking reduction requirements for qualifying developments by requiring local governments to:

- consider reducing parking requirements for developments within one-quarter mile of a transit stop as defined in the local government's land development regulations and the transit stop is accessible from the development
- reduce parking requirements by at least 20 percent for developments within one-half mile of a "major transportation hub"⁵ and has alternative parking⁶ available and accessible within 600 feet from the proposed development; a county may not require that the available parking be sufficient to compensate for the reduction in parking requirements
- eliminate parking requirements for developments within a transit-oriented development or area, as recognized by the local government; the proposed development *must be mixed-use* residential and otherwise comply with the local government's regulations concerning transit-oriented development, except for use, height, density, FAR and parking provided by this exception or otherwise agreed to by the local government and the developer

Finally, the Amended Act precludes development within one-quarter mile of a military installation from being approved administratively and requires local governments to publish their policy for administrative approval of qualifying developments. Airports and military installations are not subject to these provisions, nor are areas impacted by airport land use regulations.

If you have any questions or would like assistance regarding the recent Amended Act requirements, please contact the authors.

Notes

¹ A future alert will address the Amended Act's tax exemption program.

² For mixed-use projects, at least 65 percent of the total square footage must be used for residential purposes, leaving 35 percent for commercial and ancillary uses. Sections 125.01055(7)(a) and 166.04151(7)(a), F.S.

³ For a summary of the 2023 Act, see Holland & Knight's previous alert, ["Florida's New Live Local Act Offers Land Use](#)

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[and Tax Benefits](#)," Aug. 8, 2023.

⁴ The Amended Act defines "adjacent to" for the purpose of the exception as those properties sharing more than one point of a property line, but not including properties separated by a public road.

⁵ The Amended Act defines "major transportation hub" as any transit station, whether bus, train or light rail, that is served by public transit with a mix of other transportation options.

⁶ The available parking within 600 feet of the proposed development may consist of options such as on-street parking, parking lots or parking garages available for use by residents of the proposed development. A local government may not require that the available parking compensate for the reduction in parking requirements.

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2025 Updates to Florida's Live Local Act

Senate Bill 1730 Adds New Provisions, Makes Key Changes from Previous Legislation

July 1, 2025

Holland & Knight Alert

[Pedro Gassant](#) | [Alan Samuel Krischer](#) | [Alessandria San Roman](#) | [Lawrence E. Sellers](#) | [Misch Cetoute](#)

Highlights

- Amendments to Florida's Live Local Act that provides land use, zoning and tax benefits to developers and investors took effect July 1, 2025.
- The 2025 Live Local Act introduces several significant technical changes aimed at clarifying the legislature's intent.
- Some of the new provisions prevent local governments from imposing additional requirements on qualifying developments.

Florida Gov. Ron DeSantis signed [Senate Bill \(SB\) 1730](#) on June 23, 2025, amending the Live Local Act (2025 Live Local Act), which takes effect on July 1, 2025. The 2025 Live Local Act introduces several significant technical changes aimed at clarifying the legislature's intent by adding new definitions for key terms such as "commercial use" and provisions that prevent local governments from imposing additional requirements on qualifying developments.

New Provisions in the 2025 Live Local Act

Expanded Definitions and Applicability

Since its inception on July 1, 2023, the Live Local Act has required local governments to authorize the development of multifamily residential and mixed-use developments on sites zoned for mixed-use residential, commercial or industrial purposes, provided that at least 40 percent of the residential units in a proposed development will be affordable to individuals making up to 120 percent of the local area median income (AMI) for a period of at least 30 years. (See Holland & Knight's previous alert, "[Florida's New Live Local Act Offers Land Use and Tax Benefits](#)," Aug. 8, 2023.)

The [2025 amendments, now codified at Chapter 2025-172, Laws of Florida](#), introduce new definitions for "commercial use," "industrial use" and "mixed use" to clarify how those terms should be applied to lands titled or categorized differently under the municipal zoning but that allow certain activities.

Significantly, the Florida Legislature requires that a parcel zoned to permit uses such as wholesale sales, equipment rentals and other for-profit business activities is considered commercial use for the purposes of the 2025 Live Local Act, irrespective of the local land development regulation's listed category or title.

The amendments also expand the applicability of the Live Local Act to portions of flexibly zoned areas such as planned unit developments (PUDs) permitted for commercial, industrial or mixed use. The 2025 amendments prohibit local governments from requiring more than 10 percent of the total square footage of a mixed-use project to be used for nonresidential purposes. The amendments also clarify that density, height and floor area ratio allowances cannot be lower than the highest allowed entitlements as of July 1, 2023. Lastly, the amendments expand the definition of "floor area ratio" to include lot coverage.

Yes In God's Backyard (YIGBY)

The 2025 Live Local Act includes Florida's first YIGBY policies, aimed at empowering religious institutions¹ to build

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affordable housing on their land to address local needs. This policy opens up tens of thousands of parcels of land statewide for affordable homes. The 2025 Live Local Act amends current state law to allow (but not require) local governments to approve affordable housing development on any parcel owned by a religious institution that contains a house of public worship, regardless of underlying zoning, as long as at least 10 percent of the homes are affordable. The provision is self-executing, thus obviating the need for any action or ordinance from a local government before utilizing the new process.

Administrative Approval Only

The 2025 Live Local Act clarifies that qualifying developments must receive administrative approval without further action from quasi-judicial or administrative boards or reviewing bodies, provided the development complies with the local land development regulations for multifamily development in designated areas and is otherwise consistent with the comprehensive plan, except for specific provisions regarding allowable densities, floor area ratios, height and land use. This language is designed to prevent local governments from layering on additional reviews in contravention of the legislature's intent.

Demolition of Historic Structures

Local governments must administratively approve the demolition of a structure related to a qualifying development if it complies with all state and local regulations without needing further action from the board of county commissioners or other quasi-judicial or administrative reviewing bodies. However, if the proposed development is on a parcel with a contributing structure or building within a historic district listed in the National Register of Historic Places before Jan. 1, 2000, or on a parcel with a structure or building individually listed in the National Register of Historic Places, the local government may *administratively* require the proposed development to comply with local regulations relating to architectural design, such as facade replication, provided it does not affect the height, floor area ratio or density of the proposed development.

Employer-Sponsored Housing Policy

The 2025 Live Local Act declares it state policy to provide affordable housing to employees of hospitals, healthcare facilities and governmental entities, allowing developers to create a preference for these employees. This allows developers in receipt of federal low-income housing tax credits or other governmental funding sources to create a preference for housing the specified employees, assuming such preference conforms to the Internal Revenue Code Section 42(g)(9).

Key Changes from the 2024 to 2025 Live Local Act

- **Height Requirements.** For proposals adjacent to, on two or more sides, a parcel zoned for single-family residential use within a single-family neighborhood with at least 25 contiguous single-family homes, local governments may restrict the height of the proposed development to 150 percent of the tallest building on any property adjacent to the proposed development, the highest currently allowed (or allowed on July 1, 2023) or three stories, whichever is higher, but not more than 10 stories.
- **Parking Mandate Reduced.** Requires local governments to reduce parking requirements by 15 percent for developments within a quarter-mile of a transit stop, half-mile of a major transportation hub or with available parking within 600 feet.
- **Civil Actions and Building Moratoria.** Expedites civil actions filed against local governments for violating the Live Local Act and caps attorney fees and costs at \$250,000. The amendments allow a county to enforce a building moratorium against developments that qualify under the Live Local Act for no more than 90 days in any three-year period after the county has prepared an assessment of affordable housing in the business impact estimate for the

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ordinance imposing such a moratorium.

- **Local Government Reporting.** Requires local governments to provide annual reports on litigation, proposed or approved projects, and other relevant data to the state land planning agency.

For more detailed information on the 2025 Live Local Act and how it may impact your projects, please contact one of the authors or another member of the [Florida Land Use Team](#).

Notes

¹ Religious Institution as defined in s. 170.201(2), means "any church, synagogue, or other established physical place for worship at which nonprofit religious services and activities are regularly conducted and carried on..."

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Sofia Baltodano, New development breaks ground in Allapattah as Miami advances first Live Local Act housing projects, WLRN Public Media, 2/13/2026

With shovels in hand, city and county officials pressed their spades into the sandy soil of Allapattah on Friday afternoon, marking the start of construction for a mixed-income workforce and affordable housing community rising just west of downtown Miami.

The project is among the first in the city to move into construction under Florida's Live Local Act since the law was enacted in 2023.

At the project site on 1785 NW 35th St., City of Miami Commissioner for District 1 Miguel Angel Gabela called the moment a milestone for a city grappling with soaring rents and a deepening affordability crisis.

"Nowadays, land is not cheap and there's not an abundance," said Gabela, whose office gave about \$13 million for the project. "In Allapattah, we probably have one of the greatest needs. But I think this is probably the center of the affordable housing need, because of all the seniors."

Developed by Coral Rock Development Group, the \$89.2 million housing unit called "Dulce Vida" will include 230 mixed-income rental units and a 8,500 square foot public

library at ground level. The project replaces a library that was temporarily demolished during redevelopment, with plans to modernize the facility as part of the new building.

Of the 230 total units at Dulce Vida, 92 will be reserved for households earning up to 60% of Area Median Income (AMI), 78 units for those at 100% AMI and 60 units for households earning up to 120% AMI. The project will also include 170 units that are city-assisted, meaning the apartments receive government support to keep rents below market rate for low- to moderate-income residents. The mix is designed to serve both low-income residents and workforce families, creating a layered income structure within one development.

Michael Wohl, a principal partner of Coral Rock Development, said the project will help ease the rental burden for residents in the county.

"People are paying the highest percentage of their gross income for rents here compared to any place in the country," said Wohl. "So it's very important that we attack the affordable housing issues head on."

Wohl said Allapattah was an ideal choice for the building due to its central location, near a main transportation artery, 36th Street, and two miles away from Miami International Airport and the city's health district.

Live Local Act as a catalyst

The project was financed to support long-term affordability, including a \$54 million construction loan from Citibank, \$15 million from the City of Miami's Miami Forever Affordable Housing Bond and tax credit



equity from Affordable Housing Partners.

But city officials pointed to the Live Local Act as a key catalyst.

The law passed in 2023 and was heralded as a model for addressing housing affordability nationwide. The act incentivizes the development of affordable housing by cutting red tape, such as, easing zoning restrictions, committing to keeping rents low over time, granting tax benefits to property owners and expediting the public approval process.

Since its passage, more than 3,000 housing units have been built across the state, with thousands more in the pipeline, according to Florida Tax Watch.

The act allowed for more units to be built, something Gabela said gives the project, “more success rate.”

But the Live Local Act already has its fair share of controversy.

This past January, Surfside officials and residents [opposed the construction](#) of a 12-story hotel and residential building on the site of an old post office on 250 95th St. They argued the building violates the town’s zoning rules cap on buildings over 30 feet or 12 stories.

The project — which would be the first project proposed under the act in Surfside — drew sharp criticism from Mayor Charles Burkett, who called it a “disaster” and a “a developer-driven initiative that doesn’t address affordable housing.”

While Wohl admits Live Local has its issues, he says the new development is “the best execution of Live Local. It is utilizing Live Local to subsidize mixed income developments that include affordable housing and workforce housing.”

The scope of the housing crisis is stark. Florida has only 24 affordable rental units for every 100 extremely low-income renters, according to a 2025 [report](#) from the Florida Housing Coalition.

But there may be a light at the end of the tunnel for residents seeking affordable housing in Miami, one of the nation’s most expensive housing markets.

In a “win for renters,” according to [RentCafe.com](#), Miami added nearly 9,000 affordable apartments between 2020-24. The company said there was a 95% increase in affordable apartments compared to the previous five years.

Obed Jauregui, pastor of Miami Bethany Church of the Nazarene and a partner in Coral Rock Development, called the development a turning point for the community.

“We’re bringing projects that will bring dignity, that will bring productivity, that will bring stability to a city,” said Jauregui, who is also the CEO of Miami Bethany Community Services, in Spanish. “For a long time this community in some cases wasn’t well-known, and in others it was known for violence, gangs, drugs, and other things. And now that it’s known for having such beautiful projects...that’s completely changing the community.”

Construction is expected to take approximately 18 to 24 months, with the building projected to open in 2028. Due to anticipated high demand, apartments may be awarded through a lottery system.

“We need more than half a million apartments for low-income families throughout the county,” said Jauregui. “But well, we can’t bring in half a million all at once, but we brought in 227.”

New Pathways to Encourage Housing Production: A Review of California's Recent Housing Legislation

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Since 2017, the State of California has adopted over 100 new laws designed to increase housing production. Most of these laws have been focused on incentivizing local governments to approve more housing and expedite housing approval processes.

Some have focused on making long-standing legal authorities work better (e.g., significantly changing the ways in which cities must plan for new housing by adding new requirements to Housing Element law and creating stricter penalties for violating housing laws). Others have introduced new ways to facilitate housing production (e.g., offering pathways to streamline development and pre-empting local prohibitions on smaller-scale development in areas zoned only for single-family homes).

This new spate of laws has reshaped the housing entitlement process throughout California, and by certain metrics, permitting has increased in some areas. The Center for Continuing Study of the California Economy recently concluded that residential building permits increased 15.5 percent in the first six months of 2022, with most of that increase occurring

in multifamily permits, which typically benefit the most from housing production laws.¹ Recent state legislation has also resulted in an increase in production in other building types, such as accessory dwelling units (ADUs). At the same time, overall production remains well below levels observed before the Great Recession. In addition, given the economic uncertainty posed by inflation and instability in the banking sector, there are concerns that homebuilding starts may stagnate in the near future.

In this brief, we interview planners and land use lawyers to gain an early understanding about the extent to which the new laws are influencing housing production. Making a connection between new laws and housing production is difficult; data can be hard to gather, and a range of other issues affect production, such as cost and availability of land, labor, and construction supplies. This brief is therefore not meant to be an evaluation of the effectiveness of these state laws. Rather, it is an effort to characterize the breadth and goals of recent legislation, and to assess practitioner experiences with using these laws to further housing production. The report provides an over-

view of California’s housing system, catalogs recent housing legislation, and summarizes themes from interviews with stakeholders across the state. This report is also being released with **an accompanying online tool** that allows users to search and sort legislation passed since 2016. We conclude by laying out next steps for exploring the effectiveness of these recent changes in California housing policy.

Methods

In its February 2018 Statewide Housing Assessment Report, the California Department of Housing and Community Development (HCD) included a matrix of the state’s major housing laws.² This table divided California housing laws into four categories based on the part of the housing production process to which they pertain: planning, zoning, permitting, and building. The table further subdivided laws by function and act name, and described each category and some of the legislation that shaped it.

Using HCD’s typology, we documented changes and additions to these laws since 2016 that were intended to spur housing production (see Appendix A). This analysis of legislative activity reveals that the state is addressing housing laws in two distinct ways. First, many of the laws work to amend or strengthen existing state authorities and mandates. The fact that housing laws are often iterative, refining implementation over time, is a critical aspect to housing policy. It also means that new laws cannot be interpreted without a broader understanding of their historical origins, and that their impact is often a function of the cumulative changes over time, rather than one specific change. Second, the report also highlights that the state is

initiating new approaches to bolster and/or target new housing production.

One important caveat is that no one law operates on its own, and many of the laws that shape California’s housing landscape—including its Housing Element planning law, the Regional Housing Needs Allocation (RHNA) law, and the California Environmental Quality Act (CEQA)—are complex and inter-related. In this report, we provide an overview of the changes to these laws, and do not delve more deeply into all the dimensions that influence their implementation and effectiveness. As we discuss further in the conclusion, more research is needed to understand the impacts of recent legislative efforts and how those vary across California’s diverse communities.

In addition to this legislative review, we interviewed 22 stakeholders across the state—including land use attorneys and city planners—to better understand how and to what extent developers and public agencies have been drawing on these legislative shifts and their experiences in using them to overcome barriers to housing production.

A Review of California’s New Housing Laws

California’s housing law framework can be divided into four categories: planning, zoning, permitting, and building. Many of these laws are part of the Planning and Zoning Law, or PZL³, and go back several decades in many instances. In this brief, we will deal only with the first three categories—planning, zoning, and permitting (referred to as Entitlement Review below)—all of which have seen significant new legislation since 2016. We do not include a category on building code as few laws passed since 2016 that are specific to changing the building code.

Planning

California has many laws governing land use planning, but those most relevant to housing are the General Plan law⁴, the Housing Element Law,⁵ and the Regional Housing Needs Allocation (RHNA) law⁶ (which is part of the Housing Element Law). The California Environmental Quality Act (CEQA)⁷ also plays an important role in land use planning, as does the Affirmatively Furthering Fair Housing law.⁸

The Housing Element and RHNA laws are especially important. Unlike most states, California requires local governments to create plans to meet housing production targets. Targets are set for regions and regional governmental bodies coordinate and allocate a share of the total number of new homes needed to each city, town, and county. The RHNA process establishes local production targets. All cities and counties must participate and adopt a Housing Element that lays out both a land use strategy to accommodate the needed housing by identifying sites that are properly zoned, available for construction as well as a strategy for using housing funds and programs to meet affordable housing goals.

The Housing Element Law was originally passed in 1969,⁹ but was widely considered ineffective for many years.¹⁰ Recent statutory changes, along with strengthened enforcement from California's Department of Housing & Community Development (HCD) and the California Office of the Attorney General, have made the RHNA process and Housing Elements much more powerful tools. Below we discuss the recent changes to planning law that have resulted in a stronger process. However, the state's cities and counties are currently working through the sixth cycle

of the RHNA process which reflects these changes, meaning that it is too soon to know their effects.

Higher Housing Targets and Other Considerations

Over the past five years, the Legislature significantly expanded the planning requirements within Housing Element Law in ways that have greatly increased the number of homes that cities must now plan for. This change, along with reforms to how cities must plan for these new homes, have influenced how cities are approaching the Housing Element process and have the potential to increase housing production in the future.

For example, the Housing Element has long required cities to identify and inventory enough sites to accommodate the number of units included in their RHNA. However, in previous planning cycles, cities frequently included sites where building was infeasible, resulting in a low development rate even though the Housing Element was compliant. To make site inventories more effective at facilitating development, Assembly Bill (AB) 1397 (2017) requires cities to assess the probability of development on specific parcels. The bill also prevents cities from including sites that had been identified in a previous inventory unless those sites would be subject to by-right zoning in the current planning cycle, thus increasing the likelihood the site would be built on.

Senate Bill (SB) 828 (2018) and AB 1771 (2018) amended the RHNA process to require the consideration of factors such as housing cost burdens, overcrowding, fair housing, and other issues in establishing new housing production targets for cities and counties. Prior to these changes, RHNA targets were more susceptible to

political negotiation and oftentimes were not reflective of actual housing needs. For example, in the 5th RHNA cycle, the city of Beverly Hills was given a housing production target of only three new units over the eight year planning period. The new laws will reduce the likelihood that cities will be given such low targets, and the net effect of these changes has been an increase in HCD's allocations of housing units needed throughout the state. For example, the RHNA target figure for the Southern California Association of Governments (SCAG) region increased from 412,000 units in the fifth cycle to 1.3 million in the sixth cycle. The target number for the Association of Bay Area Governments (ABAG) grew from 188,000 in the fifth cycle to 445,000 in the sixth cycle. This significant increase has caused local cities and counties to increase the densities permitted on residential projects and change their zoning ordinances in other ways to accommodate these higher numbers.

Interviewees expressed optimism that recent legislative changes would result in an increase in construction by requiring that cities plan and zone for more housing in ways that could be reasonably expected to facilitate actual housing growth. Interviewees pointed to the significant increases in planned housing that cities are now putting together, as well as the new enforcement mechanisms that have also been passed into law in recent years (discussed in further detail below). However, some interviewees also expressed concern that many cities will fail to obtain approval of their housing elements from HCD due to their inability or unwillingness to identify enough feasible sites. As of March 6th, 2023, HCD indicated that 195 cities and counties had formally adopted Housing Elements for the sixth cycle and

106 of those—35.1 percent—were out of compliance.¹¹ Some said that high targets could undermine the effectiveness of expanded planning requirements unless the state provides adequate technical assistance and/or enforces the law with sufficient penalties, as even many cities that want to comply do not have the staff or technical expertise to do so.

There are penalties for being out of compliance, but it is not clear how important those sticks will be. In Southern California, some cities that failed to obtain HCD compliance approval before the deadline in October of 2022 have become ineligible for certain state funding sources. Moreover, cities without certified Housing Elements also find themselves subject to the so-called “builder’s remedy”—a provision adopted as part of the 1990 amendments to the Housing Accountability Act that requires approval of projects with 20 percent affordable units in cities that are out of compliance. The provision is largely untested and it is unclear how much, if any, new projects will obtain approvals as a result of the builder’s remedy. Cities without certified Housing Elements have also become subject to additional legal pressures from private parties. Specifically, legal groups have begun to take legal action against cities and counties that have yet to secure Housing Element compliance.¹²

Enforcement

The legislature added new mechanisms for enforcement of planning and housing law that have made it very difficult for cities to skirt their housing target obligations under the Housing Element and RHNA. For example, AB 72 (2017) allows HCD to revoke a prior finding that the locality is in compliance with Housing Element law, and allows it to

report violations to the Attorney General. AB 72 was invoked at the beginning of the Newsom Administration in 2019, when the Attorney General sued Huntington Beach.¹³ (The lawsuit was later settled.¹⁴) Interviewees noted that this added enforcement capability—and the willingness of the Attorney General to use it—have made a difference in holding cities accountable to Housing Element law. Interviewees pointed to several letters issued by HCD and the Attorney General to cities observed to be acting unlawfully as important in getting those cities to comply with state law.

Fair Housing

With the passage of AB 686 in 2018, the legislature added new requirements to Affirmatively Further Fair Housing in California. The new law, which codified federal rules at the state level, requires cities to analyze patterns of residential segregation and rezone affluent, historically exclusive areas (which tend to be zoned solely for single-family homes) for multifamily use. These changes have an important impact on the Housing Element process because HCD has required cities to demonstrate that their Housing Element plans achieve the goals of AB 686. Some cities have had to address HCD comments on their proposed Housing Elements by going further in changing zoning in affluent areas to encourage more multifamily construction in those locations zoned for single-family homes. Interviewees told us that prior to the passage of AB 686, cities would regularly concentrate new planned housing in less affluent areas of the city in their Housing Elements. They indicated that this was changing, though it is not yet clear as to the extent to which this will lead to more multifamily housing production in higher-resourced areas.

Zoning

Under the statewide Planning and Zoning Law (PZL), local governments must adopt zoning ordinances that specify what may be built on each parcel of land within its jurisdiction. The zoning ordinance must be consistent with the General Plan and its land use designations. Zoning plays a significant role in determining the amount of housing allowed in each community.

A zoning law typically has three components: 1. standards dictating the use of the parcel, 2. standards dictating the form of the structures on the property (for example, setbacks and height limits), and 3. standards addressing the impact of the property on the community (most significantly parking requirements).

In addition to the PZL (or, in some cases, as part of the PZL), several other laws associated with zoning affect the amount of housing allowed by local governments. These include the Subdivision Map Act,¹⁵ laws relating to accessory dwelling units,¹⁶ specific plan law,¹⁷ the Fair Housing Law (state and federal), the Mitigation Fee Act,¹⁸ laws relating to impact fees, and those parts of SB 330 that provide early, developer-controlled vested rights and restrict local governments' ability to impose moratoria on housing.¹⁹ Below we discuss recent changes to laws related to zoning.

Density Bonus Law

The state's Density Bonus Law (DBL)²⁰ initially enacted in 1979, has long allowed increases in a housing project's density for inclusion of a minimum amount of affordable housing facilitated by regulatory concessions. The DBL has been modified several times since 2016, in part as a response to increased

development costs and barriers to production. Specifically, 12 bills have been passed that have expanded the applicability and incentives available to developers. Our interviewees noted that the combination of all of these changes has made DBL much more beneficial to use, resulting in more units and greater project feasibility.

Generally speaking, DBL allows more units to be built in a given project if some of the units are designated as affordable housing. It also grants various concessions and waivers, such as reductions of development standards. Prior to 2017, the maximum density bonus available was an additional 35 percent of the maximum number of units allowed by the zoning for a project. A handful of bills have made changes to this maximum allowed increase. For example, AB 2345 (2020) allows a density increase of up to 50 percent for projects that dedicate 15 percent of their units to lower-income households. In addition, AB 1763 (2019) allows 100 percent affordable housing projects to access an 80 percent density bonus, or unlimited density (up to three stories) for projects located within a quarter mile of a major transit stop. AB 2334 (2022) expanded upon allowable density for 100 percent affordable projects by extending the benefits of AB 1763 to low-vehicle miles traveled areas.

Interviewees told us that these changes have been helpful in making projects more financially feasible by increasing the number of units and by allowing housing developers to obtain incentives and waivers from development standards. These bonus units can allow mixed-income projects to more easily absorb the costs of the required afford-

able units. As a result, developers are more often pursuing projects that take advantage of density bonuses. However, the added density allowed does not necessarily work for mixed-income projects in lower-cost markets, such as inland areas, because the market rate rents in the area are not high enough to offset the costs of operating the affordable units as required.

In addition to the changes noted above, there have been other notable reforms to DBL intended to facilitate greater DBL usage. AB 2372 (2018) allows cities to give a floor area ratio (FAR) bonus instead of a density bonus and limits new parking requirements. AB 571 (2021) prevents affordable housing fees from being imposed on affordable units. SB 290 (2021) allows bonuses for projects with 20 percent of units reserved for lower-income students.

Another important feature of DBL is the ability of developers to access “concessions” and other waivers to further facilitate development. Specifically, DBL requires cities to grant concessions to development or design standards that applicants identify as barriers to their project feasibility. For example, developers might request to reduce setback requirements or height restrictions, or requirements for specific finishes or materials. DBL also allows applicants to access lower parking requirements. Since 2016, some laws have expanded DBL concessions. In addition to the increased allowable density described above, AB 2345 also lowers the threshold requirement for mixed-income projects to access multiple concessions. AB 2334 (2022) increases available concessions for 100 percent affordable projects from three to four.

Accessory Dwelling Units and Small Scale Projects

Since 2016, the legislature has passed 17 bills related to ADUs. The combination of all of these reforms appears to have been successful in increasing ADU production statewide. For example, in 2016, California permitted just over one thousand ADUs. In 2021, over 20,000 ADUs were permitted.

These reforms began in 2016 with the passage of SB 1069/AB 2299 (2016), which established that ADU approval must be ministerial.²¹ Subsequent laws have made ADUs a stronger development option. For example, AB 881 (2019) limits the grounds for disallowing ADUs, including through owner occupancy requirements, restrictive lot size, setback, and parking standards. AB 68 (2019) reduces the time in which cities have to approve ADUs and eliminates replacement parking requirements for garage conversions. SB 13 (2019) reduces impact fees and shortens application review periods. Interviewees credited the recent spate of ADU laws with the increase in ADU construction that has occurred since their passage. In particular, the ministerial approvals now afforded to ADUs have greatly sped up the process of approving these projects, and the prescriptive standards that cities must adhere to has limited the ways in which localities can block or change such development.

Building on the progress made on ADUs, legislators passed SB 9 in 2021. The law requires ministerial approval of duplexes and lot splits within areas zoned for single-family homes. An earlier Turner Center analysis concluded that SB 9 could make up to 700,000 homes market-feasible that would not have been permitted before.²² However, the passage

of SB 9 in 2021 has yet to translate into similar increases in duplexes, in part because some localities are finding ways to hinder implementation through local ordinances with requirements such as front setback or easement requirements for newly subdivided lots.²³ As of January 2023, the Turner Center found very limited uptake based on a survey of planners working at 13 California cities.²⁴ Interviewees confirmed that usage of SB 9 appeared to be light so far, though the legislation is still relatively new.

Deregulating Parking and Expanding Housing on Non-Residential Land

Finally, a few laws passed in 2022 prohibit local governments from requiring parking within a half-mile of certain transit stops (SB 2097) and allow developers to override local commercial zoning to build housing on lots zoned for retail and office use (AB 2011/SB 6). Interviewees were optimistic about these new laws, though it is too early to tell their impact so far (for example, AB 2011 goes into effect on July 1, 2023).

Entitlement Review

Traditionally, with a few exceptions, state law allowed local governments significant leeway over entitlement of projects, even allowing many projects to be denied even if they met general plan requirements and zoning standards. CEQA almost always comes into play at the entitlement level, because the law identifies environmental impacts that must be mitigated, adding to conditions of approval. In this section, we review laws that pertain to streamlining the entitlement process and reducing the number of projects that go through discretionary review.

Streamlining

The legislature has passed a handful of laws to streamline the entitlement process. One such law is SB 35 (2017), which requires ministerial approval of multifamily infill housing projects in cities that are not meeting their RHNA goals. Significantly, this means that no analysis under CEQA is required. The bill sets a minimum threshold for affordable units (depending on the project size and jurisdiction) and also requires certain labor standards to be met in specific instances, such as the use of prevailing wage in affordable housing construction and the usage of a “skilled and trained” workforce in mixed-income development. The legislature subsequently passed multiple bills to clarify and improve implementation of SB 35. For example, AB 831 (2020) allows developers to apply for modifications of projects approved under SB 35. AB 1174 (2021) extends the validity of a development approved under SB 35 for three years after a final judgment upholding the approval in any litigation against it.

Cities had difficulty managing SB 35 applications at first, and some cities pushed back on the law’s applicability. In Berkeley, for example, the city challenged an SB 35 project by claiming that it would interfere with a historic structure (which is not permitted under SB 35) but lost in court.²⁵ In Burbank, the City Council challenged eligibility of one SB 35 project, relying on an apparent inconsistency between the general plan and zoning, but eventually settled the case.²⁶

Interviewees said that SB 35 has been somewhat successful in facilitating streamlined approvals for 100 percent affordable housing projects, but developers have used SB 35 for market-rate projects less frequently than expected.

Interviewees highlighted that, in some cases, the 50 percent affordability requirement, which applies in cities and counties meeting their market-rate RHNA goals, and labor standards can reduce the financial feasibility of projects. Several interviewees suggested that meeting labor standards is a politically important goal to many developers, especially in the Bay Area, and therefore they are more likely to use SB 35 if they plan to meet labor standards anyway. One attorney noted that the tribal consultation process created by AB 168 (2020) can also add uncertainty and delay. This process requires local agencies to consult with tribes “culturally affiliated with the geographic area” of a development seeking approval under SB 35 and has caused some delays for certain projects. Preliminary findings from the Turner Center’s analysis of state data echo some of what we heard in interviews, as the majority of projects applied for or approved through SB 35 are for affordable units. The Turner Center will publish a more complete review of SB 35’s strengths and weaknesses in the summer of 2023.

Other legislative efforts have also provided streamlining benefits by creating by-right, or ministerial, approval processes for specific housing types, such as ADUs or duplexes under SB 9, or permanent supportive housing projects. By-right and ministerial processes remove discretionary reviews and in some instances require approvals within a certain timeframe. Interviewees noted that these processes have benefited eligible projects by providing certainty for builders and homeowners. Interviewees noted that creating by-right pathways should be considered for more types of housing given how successful this strategy has been for certain subsets

SB 330 and the Housing Accountability Act

The changes that have strengthened the Housing Accountability Act (HAA)²⁷ have been particularly important for ensuring that projects are not denied despite being compliant with objective local land use regulations. The HAA was first passed in 1982 and has been amended some two dozen times since, but it was strengthened most significantly in 2017 by three bills: SB 167, AB 678, AB 1515. Among other things, these three bills apply a developer-friendly standard of review (using a “preponderance of evidence” rather than “substantial evidence” standard), increase fines on localities that unlawfully deny permits, and require that the code in place at the time the application was deemed complete must be used in reviewing the project. Interviewees said that the early vesting contained in the HAA, along with the narrowing of conditions required to deny a project, have made the HAA a more effective tool. Interviewees identified several instances where localities have backpedaled on project denials given the penalties to which they would be subject.

In 2019, both the HAA and the Permit Streamlining Act²⁸ were strengthened by the passage of SB 330, the Housing Crisis Act of 2019. SB 330 limited cities’ ability to deny permits in several ways. It created a non-discretionary “preliminary application” that vests rights upon submission, establishes a private right of action for challenging permit denials, allows plaintiffs to win attorneys’ fees, and requires that changes to zoning ordinances do not result in a net loss of residential capacity within the jurisdiction. SB 330 amended the Permit Streamlining Act as well by placing time limits on an agency’s ability to comment on a project and imposing a five-hearing

rule; now a decision must be made after no more than five hearings after the project application is complete. Of these changes, interviewees noted that the five-hearing rule was the most consequential, as applicants now have certainty around the number of hearings that cities can require of an applicant.

One recent appellate court ruling in a high-profile case shows the power of the HAA. The Terraces of Lafayette housing development project has been the subject of litigation and ballot measures for more than a decade—and the ongoing conflict was featured in Conor Dougherty’s 2020 book *Golden Gates: Fighting for Housing in America*. In response to local resistance, including litigation largely based on CEQA, the developer at one point greatly reduced the size of the proposed project, among other things. In a ruling published in early 2023, the First District Court of Appeal said the HAA required that the original, larger application be locked in. The developer reverted to the original, much larger proposal, which the city eventually approved.

The California Environmental Quality Act (CEQA)

CEQA requires environmental review of all housing developments that require discretionary approval unless they qualify for a “statutory” exemption, which is an exemption adopted by a statute, or a “categorical” exemption, which is contained within a category of exemptions as determined by the Secretary of Natural Resources. By-right or ministerial projects are not subject to CEQA. Traditionally, the Legislature has not engaged in large-scale CEQA reform and this trend has continued even since 2017 as many housing bills have been passed. In the years before 2017, the Legislature did add more exemptions

from CEQA (for example, an exemption for infill development projects). In recent years, CEQA exemptions have also been narrowly passed for specific types of projects, such as permanent supportive housing and shelters for people experiencing homelessness. However, generally speaking, the bounds of CEQA have been determined far more by judicial review than by the state legislature.

On the legislative front, lawmakers have prioritized creating new exemptions for housing reserved for people experiencing homelessness. For example, AB 2162 (2018) allows permanent supportive housing to be approved by-right, thereby bypassing the CEQA process. Similarly, AB 101 (2019 budget trailer bill) exempts homeless “navigation” centers from CEQA. SB 744 (2019) streamlines CEQA approval for projects funded through California’s No Place Like Home program.

However, outside of projects for people experiencing homelessness, there have only been a few bills that provide CEQA exemptions serving other populations. One such bill was SB 10 (2021). This bill does not exempt specific projects from CEQA, but rather it authorizes cities to zone parcels in transit-rich or urban infill areas up to 10 units and exempts such rezonings from CEQA review. SB 866 (2022) creates a CEQA exemption for student and faculty housing built by public universities.

Interviewees cited CEQA litigation as a significant obstacle to permitting and construction. Holland & Knight, a law firm representing developers, estimated that in 2020 CEQA lawsuits challenged projects representing almost 50,000 housing units.²⁹ This does not mean that these housing units were not built, but it is likely that the litigation added cost

and delays to the projects, as well as a decrease in the number of units in some cases.

Interviewees told us that developers use existing exemptions when available, including the urban infill categorical exemption³⁰ and the specific plan statutory exemption.³¹ Indeed, recent data from the California Governor’s Office of Planning & Research has found that, between 2008 and 2019, exemptions grew from 38 percent to 55 percent of all CEQA actions (with a corresponding decline in mitigated negative declarations).³² However, interviewees also said that even when projects qualify for an exemption from CEQA review, there can still be costs and delays. Specifically, litigation can still be likely, and it is difficult and costly to provide the documentation necessary to prove that the project is eligible for an exemption. As such, interviewees told us that they do not always recommend utilizing eligible exemptions.

Several recent laws, including SB 35, require ministerial approval (hence bypassing CEQA altogether) for certain projects, but only when specific labor standards are met. As noted above, this tradeoff means that such laws are usually only used in high-cost areas where entitlement is difficult, making prevailing wage more financially feasible when compared with going through the CEQA process.

Conclusion

It is too early to know whether the full set of new state laws is having a meaningful impact on spurring increased homebuilding. Implementation takes time, and the length of time it takes for any new housing development to get off the ground means that it can take several years before a law’s impact takes

effect. In addition, the timing of Housing Element and RHNA cycles vary across regions: the staggered implementation of state laws, coupled with the time it takes to develop interpretive guidance and local ordinances, means that it will be several years before the statewide impacts of these laws can be measured. There also needs to be greater consideration of how laws interact, and in some cases, conflict, not only with other state laws but also with federal funding and planning requirements (for example, around AFFH). The past few years have also introduced significant instability in the housing market, resulting both from the effects of the COVID-19 pandemic and rising inflation and interest rates. All of this points to the need for continuing research into the different components of state law, including empirical studies that can measure not only the impacts of legislative changes on housing production, but also the ways in which local market conditions and implementation influence those outcomes.

However, there have been positive, measurable impacts on construction starts within some specific housing domains, and interviewees expressed optimism that process changes could unlock significant increases in homebuilding in the future. Our interviews broadly indicated three areas for cautious optimism.

First, we heard that new legislation has helped stimulate the production of new housing in the form of both ADUs and subsidized affordable housing. The state's permit data provides some evidence that these sectors are producing more housing, particularly for ADUs and affordable housing. Interviewees told us the ADU laws and affordable housing targeted reforms such as SB 35 and AB

2162 have created important pathways for faster development by requiring ministerial approval processes. For ADUs, creating clarity around setbacks, parking, and other design requirements have also been critical. For affordable housing, changes to density bonus law have been important in both allowing more units on a given site as well as obligating cities to accept mandatory waivers to specific zoning and design requirements to unlock that density. Changes to ADU and affordable housing law suggest possible pathways that could be applied to housing production more broadly.

We also heard that, in some cities at least, new laws have encouraged a shift to a culture of “yes” around project approvals. Part of this shift is that the full suite of state laws send a signal to city staff and elected officials that housing is a matter of statewide importance and cities need to do their part. But it also reflects the fact that specific laws—for example, the limited grounds for denial under the Housing Accountability Act—make it legally more difficult to deny otherwise compliant projects. This enforcement has been helpful in keeping projects moving forward, particularly in the face of local opposition. Other laws, such as SB 330, have made the process by which approvals are obtained much more predictable by doing such things as limiting public hearings to five in total and establishing early vesting rights. In implementing the laws, many cities have used them as the foundation for a more pro-housing approach. While these culture shifts are hard to quantify, it seems likely that they could have a durable impact.

Lastly, our interviewees gave credence to the idea that changes in RHNA and Housing Element law could be extremely powerful. In the most recent Housing Element cycle (6th Cycle), a great deal of land previously off limits to housing is now being made available, and many existing housing parcels have already been or will soon be rezoned for higher densities. Many cities are still a few years out from implementing the zoning changes and programs specified in their Housing Elements. Furthermore, the Housing Element's strengthened requirements for cities to comprehensively mitigate barriers to housing in their adopted housing programs was somewhat limited in the 6th Cycle due to tight timeframes. It may not be until the 7th Cycle that the State is effectively able to put into law—and cities then to implement—more rigorous standards. These standards could effectuate the legal obligation that, for example, all non-vacant housing inventory sites have a reasonable probability of development over the eight year period and, if not, measures are proposed to be taken to increase zoned capacity or boost feasibility. These standards, in turn, could result in cities not just laying the table for new zoned land but also requiring them to look much more comprehensively at all process and feasibility barriers to new supply that are controlled at the local level, in ways that could lead to significant local changes.

At the same time, we identified several concerns that the state policymakers and housing advocates should be aware of as they assess the effectiveness of new housing laws. First, we consistently heard that many localities lack the personnel capacity and technical skill to effectively implement the large changes in housing policy stemming from state law changes. Many are scrambling to

respond effectively, but additional staff resources, consultant support, and technical assistance are likely needed for local governments to fully implement new laws to be consistent with legislative intent.

Our interviewees also expressed concerns as to whether the state will be able to sustain its aggressive enforcement of the new laws over the long-term. HCD and the Office of the Attorney General are currently devoting considerable attention and resources to enforcement of housing law. But past experience suggests that, as political circumstances change and new gubernatorial or legislative priorities emerge, both HCD and the Office of the Attorney General can retreat from an aggressive posture. Given the long lead time for effective implementation of law changes, such as those to the Housing Element, any reduction in ongoing enforcement and accountability risks leading to local governments retreating from a pro-housing posture even as those housing laws remain on the books.

Finally, we heard repeatedly that high development costs—such as labor, materials, development impact fees, and stringent building code requirements—continue to impede housing development in even the most permissive cities and counties. Permissive land use laws are not enough to spur building if housing development is not financially feasible. Without the state's careful attention to unwinding the underlying cost drivers—and/or aggressively increasing financial incentives for market-rate housing and boosting funding for affordable housing—California will likely lag in its efforts to increase housing production.

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The Turner Center formulates bold strategies to house families from all walks of life in vibrant, sustainable, and affordable homes and communities. Our focus is on generating constructive, practical strategies for public policy makers and innovative tools for private sector partners to achieve better results for families and communities. For more information visit: www.turnercenter.berkeley.edu

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RESEARCH AND POLICY

California Housing Supply and Land Use Legislative Round-Up 2025

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The year 2025 has been significant for high-impact housing supply and land use reforms. Notable bills include [Senate Bill \(SB\) 79](#) (Wiener), the transit-oriented housing bill; [Assembly Bill \(AB\) 130](#), the infill exemption from the California Environmental Quality Act (CEQA); and [SB 131](#), which, among other things, creates a CEQA exemption for rezonings required by changes to a Housing Element. Other housing bills refine or improve on previous efforts. But most build on the foundation of laws passed over the past 10 years, such as [SB 35](#) (2017, Wiener), and its follow-up [SB 423](#) (Wiener) from 2023, which allows ministerial approval of multifamily projects in some cases, and [SB 330](#) (2019, Skinner), which makes it more difficult for cities and counties to deny housing projects. In addition, the Los Angeles fires in January have motivated the legislature to make it easier and faster to repair and rebuild houses damaged during declared emergencies.

This commentary provides an overview of key California bills focused on land use and housing supply passed by the legislature and signed into law by Governor Gavin Newsom. The legislature passed additional bills addressing other aspects of housing—finance, for example—but they are not covered in this

Several production-focused bills were passed and signed by the governor. One of the most important bills is [SB 79](#) (Wiener), which sets height and density standards for housing development near high-frequency rail stations and bus lines with frequent service and dedicated lanes. SB 79 does provide localities with some flexibility to plan for the increased density in different ways, and it empowers transit agencies to create their own plans and zoning for land they own near these stations. Projects built through SB 79 are subject to affordability requirements, protection standards for rent-controlled housing and existing tenants, and specific labor standards for certain projects above 85 feet in height.

Two significant reforms were passed before the end of the session through the budget negotiation process. In an unusual move, Governor Newsom and legislative leaders included major CEQA provisions in two “budget trailer” bills. ^[1] This strategy indicates the high level of importance the Newsom administration and legislative leaders have placed on reforming California’s landmark environmental review process in order to catalyze greater homebuilding across the state. Specifically, [AB 130](#) creates a statutory CEQA exemption for infill housing projects of up to 20 acres. Previously, local governments often used a categorical exemption, created by administrative regulation but not by statute, for infill projects of up to five acres, but the AB 130 exemption is “cleaner” and has no “exception” to the exemptions, as the categorical exemption does.

The other major housing trailer bill, [SB 131](#), exempts rezonings related to Housing Elements—thus giving infill housing a “one-and-done” CEQA analysis at the Housing Element level—and limits the need for environmental review on projects that would have been exempt but for one environmental impact, in what is known as the “near-miss” provision. The bill also exempts a variety of other categories of uses from CEQA, including daycare centers and advanced manufacturing.

[SB 92](#) (Blakespear) limits the state Density Bonus Law to reinforce its use for housing. The bill limits the amount of floor area ratio increase that can be applied to commercial components of mixed-use projects, and relieves local

projects proposed by educational institutions. [AB 1021](#) (Wicks and Muratsuchi) makes it easier for K-12 school districts to build housing on their land. Among other things, it eliminates the requirement that such projects be located on infill sites and clarifies that projects in infill locations are exempt from CEQA. [AB 893](#) (Fong) expands [AB 2011](#) (Wicks, 2022), which allows some housing on commercial corridors to be approved ministerially, to include parcels located within half a mile of a public university. [AB 648](#) (Zbur) exempts housing projects proposed by community colleges from local zoning if the land is owned or leased by the college. An affordability requirement is included if the homes are meant for faculty or staff members. Separately, [SB 340](#) (Laird) expands ministerial approval for emergency shelters that include the addition or expansion of onsite services for residents.

Another bill building on previous legislation is [AB 1061](#) (Quirk-Silva), which softens the exemption for historic resources under [SB 9](#) (Atkins, 2021), the lot-split law. As originally adopted, historic districts were exempted from SB 9's provision, meaning that parcels within those districts could not be split and redeveloped into two homes. AB 1061 changes that to exempt only historic resources and landmarks, not entire historic districts.

[AB 507](#) (Haney) expands an existing office-to-residential incentive under [AB 2488](#) (Ting, 2024), previously only available in San Francisco, to the entire state. The bill requires by-right approval for adaptive reuse projects that devote at least 50 percent of a project to housing, subject to affordability requirements. The bill also expands the tax-increment-style system of providing financial incentives to developers engaged in office-to-residential conversions. Meanwhile, [AB 1445](#) (also by Haney) expands the use of Enhanced Infrastructure Financing Districts for office-to-residential conversions, also previously available only in San Francisco, to jurisdictions around the state.

Finally, [AB 712](#) (Wicks) could turn the tables on local governments in litigation battles with housing developers. Under the bill, applicants who successfully sue a local agency to enforce compliance with "housing reform law" can collect attorney's fees from the local government involved. Bill opponents have said the term "housing reform law" is not specifically defined. Meanwhile, the bill also

The Permit Streamlining Act (PSA) has emerged as an important part of the effort to expedite approval of new housing in California. The PSA creates “shot clocks”—that is, time limits—for agencies issuing permits to determine applications’ completeness and make decisions. Several PSA-related bills passed this year.

The most timely bill, [AB 818](#) (Ávila Farías), emerged from the aftermath of the Los Angeles fires in January. AB 818 essentially mandates that local agencies approve or deny permit applications for rebuilding or repairing a residential property after a disaster declared as a local emergency within 10 days of receipt. The bill explicitly covers modular, prefabricated, and detached ADU homes under the same shot clock. AB 818 also waives impact fees for some emergency situations.

Other bills create or alter shot clocks for other agencies involved in the permit approval process. [AB 1007](#) (Rubio) reduces the time for “responsible agencies” (agencies that review an application but do not issue the permit) to comment from 90 to 45 days. [AB 301](#) (Schiavo and Rivas) extends the shot clock for post-entitlement review of housing projects by local agencies established by [AB 2234](#) (Rivas, 2022) to state agencies. Thus, state agencies, like local agencies, will now have 15 days to determine completeness of an application and 30–60 days to review, depending on the size of the project.

Meanwhile, [AB 253](#) (Ward) permits applicants to use a private plan-check reviewer if the local government takes longer than 30 days to finish the permit review process. The bill also requires local governments to post a comprehensive fee schedule for residential building permits online.

[AB 920](#) (Caloza) requires all jurisdictions with a population of 150,000 or more to have an online, central housing application portal by 2028. The new law will cover 38 of the state’s 482 cities and 32 of its 58 counties. However, its reach is limited: many suburban cities in California have a population of between 100,000 and 150,000—34 in all—but they would not be subject to this requirement.

legislative reform. Today, ADUs account for about 20 percent of the state's new housing production. [\[2\]](#)

This year's legislative session yielded two important changes that may further accelerate production of both ADU and Junior ADUs (ADUs located within the main structure, not in a separate structure).

Most significantly, [AB 1154](#) (Carrillo) eliminates owner-occupancy requirements for Junior ADUs that have their own sanitary facilities. [SB 543](#) (McNerney) requires local governments to determine whether an ADU or Junior ADU (JADU) application is complete within 15 days or else it will be deemed completed. The bill also specifies that ADUs of under 750 square feet and JADUs of under 500 square feet will not be subject to impact fees.

Regional Housing Needs Allocation (RHNA)

Over the past five years, the legislature has made significant changes to the RHNA process. This year's session yielded two bills dealing with timing. [SB 233](#) (Seyarto) and [AB 1275](#) (Elhawary) set a variety of timelines for the California Department of Housing and Community Development (HCD) and councils of governments in preparing RHNAs in the 7th cycle, which is coming up in the late 2020s.

[AB 1275](#) includes a potentially significant link between the RHNA and Sustainable Community Strategies (SCS), which metropolitan planning organizations must include in Regional Transportation Plans. The bill says that the RHNA must be "informed" by SCS. By law ([SB 375](#), Steinberg, 2008), General Plans (including Housing Elements) are not bound by SCS, which often contain different projected land use patterns than the General Plans. So it will be interesting to see what "informed" means when this law is applied in the next RHNA cycle.

Meanwhile, [SB 507](#) (Limón) allows local governments to enter into voluntary agreements with tribes to build housing and have those agreements count

specificity in its critique of local housing elements, saying the bill could “inappropriately shift responsibility for preparing Housing Elements from local governments to HCD.”^[3]

An Outlier

[SB 158](#) (Committee on Budget and Fiscal Review) appears to eliminate a CEQA exemption for a specific proposed housing project in Santa Barbara. The bill reduces the allowable size of Builder’s Remedy projects subject to CEQA exemptions from five to four acres and applies CEQA to Builder’s Remedy projects larger than that in cities and counties of a certain size, which seems customized to apply only to Santa Barbara.

Conclusion

After almost 10 years of legislation promoting housing production, the California legislature continues to move aggressively toward facilitating production—as SB 79, SB 131, and AB 130 show. Beyond that, the legislature has increasingly focused on refinements and expansions of laws that have been passed in the last few years. Whether they are new or building on previous efforts, these laws will likely go a long way toward creating the conditions for more housing production in California in the future.

Acknowledgments

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What the Housing for the 21st Century and ROAD to Housing Acts Mean for Local Governments

Housing supply and availability are near the top of severe concerns facing local leaders, according to [NLC's 2025 State of the Cities report](#), with 57 percent of survey respondents rating the availability of housing in their community as *Poor* or *Very Poor*, and 72 percent of mayors calling the high cost of housing a primary challenge.

There are two major housing packages with substantial bipartisan backing currently moving in Congress. The Senate moved first with the introduction of the ROAD to Housing Act (ROAD stands for Renewing Opportunity in the American Dream), introduced by Senate Banking Committee Chairman Tim Scott (R-SC) and Ranking Member Elizabeth Warren (D-MA). The Senate approved the ROAD to Housing Act as an amendment to an unrelated bill in October, but ROAD was later stripped out. The Senate is likely to vote on ROAD again as a stand-alone bill near the end of February. NLC's statement of support, delivered by Immediate Past President, Mayor Steve Patterson of Athens, OH, is available on the [Banking Committee Website](#) and [NLC site](#) as well.

House Financial Services Committee Chairman French Hill (R-AR) and Ranking Member Maxine Waters (D-CA) introduced the Housing for the 21st Century Act, which overwhelmingly passed the House by a vote of 330-9 this week, Monday, February 9th. Housing Subcommittee Chair Mike Flood (R-NE) and Ranking Member Emmanuel Cleaver (D-MO) undertook a listening tour of local leaders and associations, including NLC, to introduce improvements to the **CDBG** and HOME grant programs, and those improvements are included in the House bill. NLC's statement of support is available on the [Financial Services Committee Website](#) and again on the [NLC site](#).

Neither bill claims to be a silver bullet for resolving the housing crisis. While not identical, both bills aim to provide dozens of new resources, incentives, and federal regulatory relief to public and private-sector actors to spur the development of more affordable housing. As the bills advance, they are likely to be combined into a single housing package that includes House, Senate, and White House proposals.

The Senate ROAD to Housing Act and the House Housing for the 21st Century Act: What's in common for local governments?

Both the Senate and House bills are first and foremost policy bills, not funding bills. They would primarily make or incentivize changes to systems that, together, undergird housing development. Rather than authorizing new funding, the proposed programs in each bill generally rely on repurposing existing funds. For local governments, that means new flexibility to use certain federal grant funds in ways they can't today. It also means neither bill takes a completely blind eye to the role of local governments.

Technical Assistance and Capacity Building

Both bills take an incentive-based approach to the land use and zoning component of housing development. Both direct HUD to convene stakeholders — including local officials — to develop best practices for state and local governments on zoning and land-use policies related to housing outcomes. The legislation stipulates recommendations cannot be one-size-fits-all, given the myriad of different environmental and economic conditions across the country, and specifically directs “differentiations between best practices for rural, suburban, and urban communities, and communities with different levels of density or population distribution.” This section also enshrines a strong guardrail against federal overreach by stating “Nothing in this section may be construed to permit the Department of Housing and Urban Development to take an adverse action against or fail to provide otherwise offered actions or services for any State or locality if the State or locality declines to adopt a guideline or best practice.”

Federal Grants

Both bills would reauthorize the HOME Investment Partnerships Program, which provides annual grants to eligible local governments for rental and homeownership housing development. The Senate bill makes modest positive changes to the program by increasing the cap on administrative costs and making it easier to support small-scale affordable housing. The House bill goes further, allowing HOME funds to support affordable and workforce housing development, and permitting HOME grantees that are not eligible for CDBG funds to make HOME expenditures for infrastructure improvements necessary for new housing.

Both bills also authorize new federal grants for cities seeking funds to incorporate pre-approved housing designs, also called pattern-book homes, into the permitting process, thereby significantly shortening development timelines for builders that meet all pre-approved design requirements.

Streamlining Federal Requirements

Both bills would exclude certain small-scale and infill housing development from costly federal NEPA environmental review requirements.

Both bills also direct better coordination and alignment between HUD and USDA housing programs and requirements, increase FHA multifamily loan limits, streamline inspection requirements for landlords participating in the Housing Choice voucher program, modernize policies and reduce regulatory obstacles related to factory-built homes, and reduce obstacles for veterans' housing.

What's the difference between the Senate and House bills?

Outside their commonalities, each bill contains unique policy and program proposals absent from the other.

The Senate's "ROAD to Housing Act" would:

- **Authorize bonus funds for CDBG grantees** that meet certain housing production goals. Bonuses would be funded by reductions of CDBG funding for grantees that remain below median rates of housing improvement, with a number of exceptions for conditions beyond a locality's control, including disaster emergencies and state limits on local authority.
- **Permanently authorize the CDBG-Disaster Recovery Program**, which will make funding more quickly available to communities hit by presidentially declared disasters. Currently, Congress must approve a separate spending package for CDBG-DR following a disaster declaration, leading to unpredictable delays in the delivery of disaster recovery funds.
- **Establish the Innovation Fund and the Whole Homes Repair Pilot Program.** The Innovation Fund would award new competitive grants annually to local governments that can document measurable increases in housing supply for housing construction and rehabilitation, and infrastructure improvements, including water and sewer. The Whole Homes Repair Pilot would allow Lead Hazard Reduction Grant funds to cover additional home rehabilitation needs other than lead remediation.
- **Authorize HUD to prioritize funding** for housing projects in Opportunity Zones.

The House's "Housing for the 21st Century Act" would:

- **Allow CDBG grant expenditures** for new housing construction. Currently, CDBG housing expenditures are limited to rehabilitation. The House bill does not authorize CDBG bonuses or reductions based on housing production as the Senate bill does.
- **Establish new grants for local and regional authorities** seeking funds to review and update building code requirements or adopt regional housing plans. It would also establish guidelines to spur the adoption of single-stair multifamily housing designs.

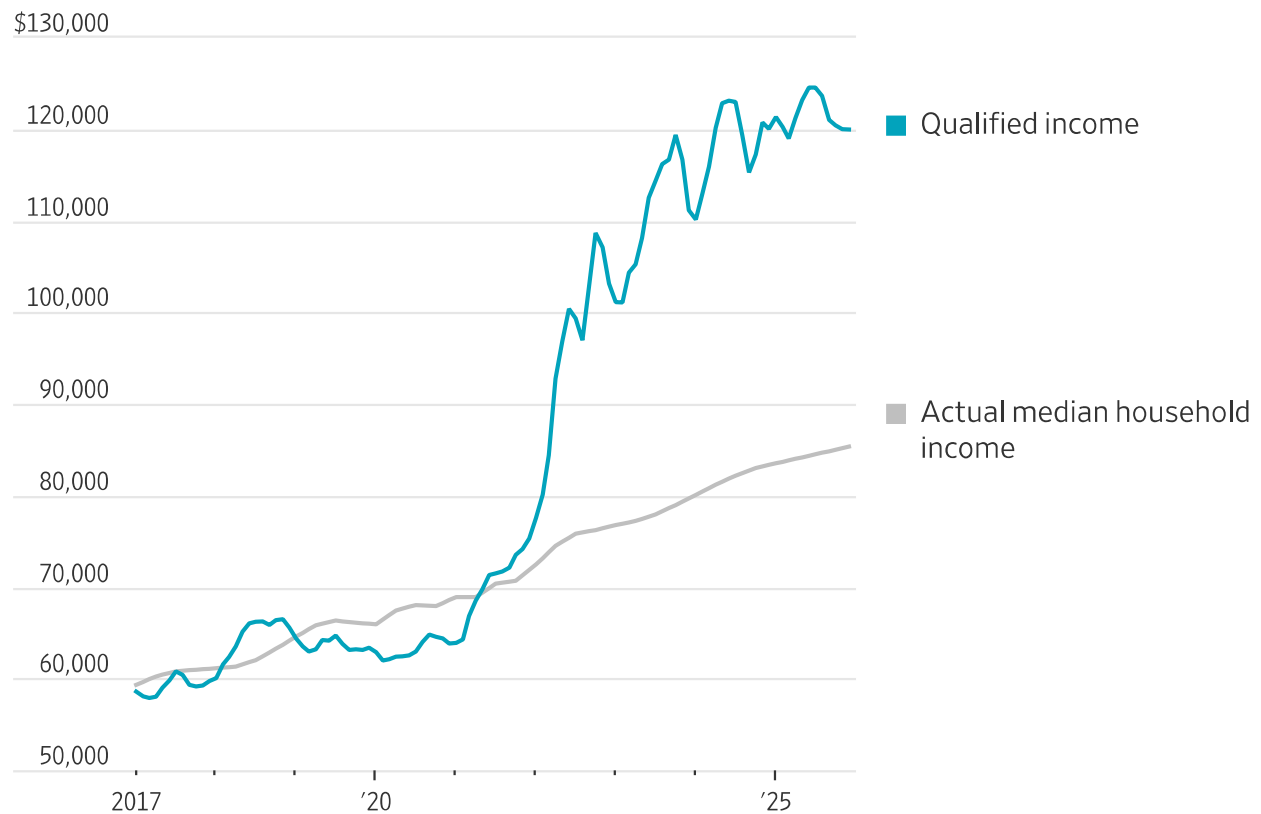
How Congress Plans to Take On the Housing Crisis

Modular housing, easier access to home loans are among proposals lawmakers are working on

By *Rebecca Picciotto*

Feb. 15, 2026 8:00 am ET

Homeownership affordability gap



Note: Qualified income is the income needed to ensure that annual homeownership costs do not exceed 30% of annual income.

Source: Federal Reserve Bank of Atlanta

The House and Senate recently passed their first significant bills in decades aimed at solving [America's housing shortage](#). Now, the two

chambers will work on fine-tuning and reconciling both bills into one proposal and sending it to President Trump's desk.

Here are the bills' top priorities:

Pushing cities to build

State and local regulations typically have more sway over how many homes get built. The Senate bill authorizes a program whereby certain cities behind in housing production could have some of their federal funding transferred to cities that are building more.

Both the Senate and House bills direct the federal government to establish best zoning practices for state and local leaders, though city officials can ignore them if they want. For example, the bills recommend planning new housing near transit hubs.

Streamlining environmental reviews

Both the House and the Senate are aiming to simplify the federal government's environmental review process. And they offer new exemptions for some housing projects like ones built in urban areas that are already developed. California and New York, both states with [acute housing crises](#), have already [pursued their own reforms](#).

Only a small portion of housing developments are actually subject to federal environmental reviews. What matters more, economists say, is the signal it sends to cities and towns.

"This is a blueprint for states and localities to also reduce red tape," said Libby Cantrill, head of public policy at Pimco.

Manufactured and modular homes

Builders say manufactured and modular homes are quicker and cheaper to produce. Think building with Lego blocks, but instead of toys, it's full-size homes. Still, wider adoption has been limited in part by outdated building code requirements and fewer financing options.

The House and Senate bills both try to make it easier to build manufactured housing. They eliminate the so-called “permanent chassis requirement,” which builders have been groaning about for years. A chassis is a structure under factory-built homes that allows them to move from place to place, and it can cost thousands of dollars to add.

Builders say that the extra cost is no longer worth it because these days, manufactured homes often stay put. The Senate bill also increases loan limits for manufactured homes to make them easier to finance.

Expanding mortgage access

Both housing packages include efforts to help Americans secure mortgages.

The bills direct federal agencies to expand access to small-dollar mortgages—home loans that are generally less than \$150,000. They tend to be less profitable for lenders, but they can help first-time and low-income home buyers get into the market.

They also would create a pilot program for select low-income families who receive federal rental assistance through public housing authorities to feed a portion of their rent payments into a savings account when their income increases.

To some analysts, mortgage access is where the federal government can have a real impact on housing affordability, because it controls the government-backed mortgage companies. Earlier this year, Trump announced that he would direct those companies to buy \$200 billion of mortgage bonds in a bid to lower mortgage rates. After that announcement, mortgage rates ticked down slightly.

PRESS

JOIN



The quiet part out loud: housing affordability is not a zero-sum game.

SUNDAY, JAN 25, 2026

David M. Dworkin

Sometimes, the quiet part is said out loud. Sometimes, it's said very loud. That's what happened in Davos on Wednesday, January 21, 2026, when President Trump expressed the paradox of affordable homeownership. *"House values have gone up*

tremendously, and these people [current homeowners] have become wealthy. They weren't wealthy. They've become wealthy because of their house, and every time you make it more and more and more affordable for somebody to buy a house cheaply, you're actually hurting the value of those houses, obviously, because one thing works in tandem with the other."

It is the quiet logic behind countless policies that make housing scarcer, more expensive, and less inclusive. It's the reason affordable housing developers find themselves perpetually fighting uphill battles in zoning hearings, federal budget trenches, and media shorthand. And yet, it's not a truth of economics. It's a basic truth of politics in the 21st century. If you win, I lose, so you must lose so I win.

But housing *doesn't* have to be a zero-sum game.

The Economics of a Manufactured Scarcity

The President's remarks reflect an old and resilient belief: that the value of one family's home depends on another's inability to afford one. In this view, the housing market is a fixed pie, and making homes more accessible slices away from someone else's wealth.

The reality is more complex, but it is built on the foundation that we can make more pies, not cut the slices of the one we have into smaller pieces. Home price growth is determined by an interplay

of supply, demand, credit availability, and policy. Over the past 15 years, housing supply growth has dramatically lagged behind population and job growth. Freddie Mac's [latest estimate](#) puts the national housing deficit at 3.7 million units—a shortage fueled by local land-use restrictions, construction labor costs, and decades of underinvestment in both market-rate and affordable production.

When supply fails to meet demand, existing homeowners benefit—at least superficially. Rising prices inflate home equity, creating the appearance of wealth. [Federal Reserve Flow of Funds data](#) from the second quarter of 2025 showed the total value of owner-occupied real estate reached a record \$49.3 trillion, with home equity hitting an all-time peak of \$35.8 trillion. Yet that gain is largely *paper wealth*, dependent on continued market scarcity. For most households, unless they sell and downsize, that “wealth” cannot be realized without simultaneously confronting higher costs elsewhere in the housing market. And the move up/move on market is [increasingly frozen](#) due to the high cost of selling a home with a low-interest rate mortgage and buying one with a mortgage rate that can be double.

When home values rise faster than incomes, the share of households able to purchase homes declines, mobility falls, and labor markets grow less efficient. A [2024 National Bureau of Economic Research working paper](#) found that a 10% home price increase in a destination area reduces in-migration by 2.6%, while a similar increase in origin prices increases out-migration by only 1.4%—creating an asymmetric trap that restricts labor

mobility. Productivity suffers. Ultimately, so does economic growth. The supposed “victory” of rising home values becomes broadly self-defeating. Just ask anyone looking to buy a home in [high growth markets like Nashville, Tennessee](#), where jobs are plentiful but housing opportunity remains scarce.

The False Choice Between Opportunity and Stability

High home prices do not inherently mean economic stability. Real value—in housing as in any market—comes from productivity, efficiency, and opportunity. When more families can access secure, affordable housing near jobs and transit, their economic productivity rises. That, in turn, increases the local tax base, supports businesses, and reduces public spending on crisis interventions like homelessness services or eviction prevention.

Multiple empirical studies confirm this dynamic:

- [Research from the Upjohn Institute](#) found that building 100 new market-rate units opens up the equivalent of 70 units in neighborhoods earning below the area’s median income—through a “ripple effect” of migration chains that create vacancies and lower costs in lower-income areas within two to five years.
- Another paper published by the [Upjohn Institute and the Philadelphia Federal Reserve Bank](#) found that new market-rate buildings lower nearby rents by 5 to 7 percent and cause more people from lower-income neighborhoods to move in.
- New York University’s Furman Center has consistently found significant, positive impacts from subsidized housing

investment, suggesting that publicly funded housing investments aimed at distressed urban properties can deliver significant benefits to the surrounding community. A large-scale [Furman Center study](#) in New York City found that property values within 500 feet of supportive housing do not drop when a new development opens and show steady growth relative to other properties in the neighborhood.

Affordability expands the base of demand and cushions the market against shocks. When people at the lower end of the income ladder prosper, they spend more, invest more, and contribute more to community resilience.

Winning doesn't require losers

There is a different way to think about housing policy—one that views production, affordability, and inclusion as complementary rather than conflicting goals.

At the state and local level, reform is already proving that abundance-oriented policies can succeed. California's accessory dwelling unit (ADU) reforms are a prime example. [ADU permitting increased](#) by 15,334% between 2016 and 2022, collectively resulting in 83,865 ADUs permitted. Constructed ADUs [rose](#) from 5,852 in 2019 to 17,460 by 2022—an almost 200% increase. [In Seattle](#), following 2019 reforms that authorized up to two ADUs per lot and eliminated parking requirements, ADU permits increased over 250% from 2019 to 2022, to the point where ADU construction outpaced single-family home construction.

Most dramatically, Minneapolis became the first U.S. city to eliminate single-family zoning through the Minneapolis 2040 Plan. [**A synthetic control study found**](#) that the reform lowered housing cost growth in the five years following implementation: home prices were 16% to 34% lower, while rents were 17% to 34% lower relative to a counterfactual Minneapolis constructed from similar metro areas.

What unites these examples is not ideology but pragmatism: housing markets function best when they are allowed to respond to demand flexibly and efficiently. Wealth built through productive investment—in construction, community revitalization, and inclusive growth—is far more durable than wealth built through scarcity.

10 Recommendations that make a difference

Congress has already passed important housing legislation in the Senate’s ROAD to Housing Act and the House of Representatives’ Housing for the 21st Century Act. These bills need to be reconciled, sent to the president, and enacted into law this year.

In the meantime, the Trump Administration can take several unilateral steps with broad bipartisan support to have a tangible impact on housing affordability, without Congress. Combined with bipartisan legislative action in 2025 and 2026 (including the expansion of the Low-Income Housing Tax Credit and changes in the Opportunity Zones program in the 2025 tax bill), these actions

will be the most meaningful investment we have made in housing in generations.

Here are ten additional steps the Trump Administration can deploy, some immediately, under existing authority, and others with Congress, to make it easier and cheaper to build and preserve affordable homes in every part of the country.

1. Allow first-time homebuyers to use their 401(k) savings for a down payment

Last week, White House economic adviser Kevin Hassett [said on Fox Business News](#) that the Administration plans to allow retirement savers to use their 401(k) funds to make a house down payment. Making it easier for younger buyers to withdraw from their 401(k)s penalty-free “will have a bigger impact than any down payment program ever proposed,” I told the [Washington Post](#). Unfortunately, CBS News correspondent Jennifer Jacobs [reported from Air Force One](#) on Thursday night that the President “dumped” on his admin’s proposal to allow people to dip into their 401(k) for a mortgage down payment. “I’m not a huge fan of it. Other people like it. They’re talking about taking money out to put a deposit down on a home. And one of the reasons I don’t like it is that their 401(k)s are doing so well. 401(k)s are up 80, 90% in some cases. And you know, you’re talking about a lot of people... I like keeping their 401(k)s in great shape. I like keeping their 401(k)s. And I’m not a huge fan of that, putting down a deposit.” The President is right that 401(k)s are at historic levels. And that’s a great reason to take advantage of this unique

opportunity. His concerns about deflating those gains can be mitigated by limiting the penalty-free withdrawals to first-time homebuyers under 40.

2. Fix capital rules for construction lending

New homes do not get built without construction financing, and current capital rules make many lenders reluctant to fund modestly priced for-sale housing. Many Acquisition, Development and Construction (ADC) loans face punitive capital charges that make smaller, more affordable projects uneconomic compared to higher-margin luxury development. The Administration can direct the banking regulators to revise the High Volatility Commercial Real Estate (HVCRE) and related capital standards framework or create a new risk-weight category for well-underwritten, modest-price, owner-occupied construction—projects with strong presales, low loan-to-value ratios, and clear evidence of demand. That would allow banks to hold less capital against lower-risk starter-home construction, which translates directly into lower interest rates for builders and more homes delivered at attainable price points.

3. Eliminate Loan-Level Price Adjustments on primary homes

The Trump Administration can direct the Federal Housing Finance Agency to eliminate Loan-Level Price Adjustments (LLPAs) on purchase-money mortgages for owner-occupied homes and require the GSEs to stop using risk-based pricing for this segment

of the market. Over time, default risk is already managed through underwriting, mortgage insurance, and capital standards; layering risk-based fees on top of that has pushed too many working families out of homeownership or into higher-cost products. LLPAs are upfront fees charged on many conventional mortgages, based on factors like credit score and down payment, and are built into the pricing grids of Fannie Mae and Freddie Mac. In practice, LLPAs act like a regressive tax on first-time and lower-wealth homebuyers, even when they are purchasing primary residences with solid credit histories and fully documented income.

4. Unlock Private Activity Bond capacity for housing

Private Activity Bonds (PAB) are one of the most important tools states have to finance affordable rental housing and first-time homeownership, especially when paired with the Low-Income Housing Tax Credit and Mortgage Revenue Bonds. Federal law already allows states to carry forward unused PAB volume cap for three years, but current IRS rules and Form 8328 lock housing finance agencies into overly rigid projections based on market conditions they cannot fully predict. The Administration can order the IRS to amend Form 8328 and related guidance so that carryforward authority can be allocated to a general housing category that supports multifamily housing bonds, mortgage revenue bonds, and mortgage credit certificates as needs evolve. This is a classic example of a technical fix with very real consequences for families waiting for a decent place to live.

5. Use federal leverage to accelerate zoning reform

Zoning and land-use decisions are local, but the federal government has a meaningful role to play in helping willing communities update their rules to allow more homes where people want to live. Cities that have expanded by-right zoning for multifamily and “missing middle” housing, reduced discretionary review, and aligned zoning with transit investment have seen more production and, over time, moderating price pressures compared to similarly situated peers that stayed restrictive. The Administration can require HUD to create a Zoning Acceleration Unit, based on the District of Columbia’s approach, that provides model codes, technical assistance, and data support to states and localities adopting middle-housing and small-lot zoning reforms. In addition, the Department of Transportation can condition certain transportation grants on states demonstrating meaningful progress on zoning reform in key corridors, with annual reporting on how land-use changes are supporting new housing supply. This kind of performance-based federalism respects local control while making clear that federal dollars should support communities that are serious about addressing the root causes of the housing shortage.

6. Normalize and scale offsite construction

Offsite construction—modular, panelized, and manufactured homes built to high standards—offers a path to build more housing faster with less waste and often at lower cost. The Administration can direct HUD and USDA to update program

guidance so modular and panelized construction receive standardized, predictable treatment in underwriting, insurance, and inspection requirements, reducing lender uncertainty and unnecessary insurance costs. Clear federal signals that high-quality factory-built homes are “real” housing—not a second-class product—would help states and localities embrace offsite construction as a mainstream tool for addressing the supply shortfall.

7. Promote Employer Assisted Housing and fix the tax treatment

Employer Assisted Housing (EAH) is one of the most promising ways to close the gap between what workers can afford and what the market charges, especially in high-cost regions where long commutes and staff turnover are undermining local economies. Hospitals, universities, and large employers that have invested in downpayment assistance or below-market loans have seen lower vacancy rates, reduced turnover, and better recruitment outcomes because employees can actually live near their jobs. Under current law, most forms of employer-provided housing assistance are treated as taxable income when forgiven, unlike employer education assistance, which was explicitly excluded from gross income under section 127 of the tax code. The Administration should both champion a legislative fix—clarifying that “qualified employer-provided housing assistance shall not be included in gross income”—and use its convening power now to expand best-practice EAH models among hospitals, school districts, and large regional employers.

8. Put surplus federal land to work for housing

The federal government is the largest landowner in the country, including in markets where land costs are a major barrier to affordability. President Trump has already issued an Executive Order focused on federal land, but housing has too often been an afterthought in surplus property disposition. The Administration can direct the General Services Administration, Department of Defense, Department of Veterans Affairs, U.S. Postal Service, and other agencies to prioritize affordable housing—especially homeownership opportunities—when disposing of surplus land that already has access to infrastructure and services. Cities and counties that have successfully redeveloped surplus public land for mixed-income housing have seen lower per-unit land costs, shorter development timelines, and better integration with existing neighborhoods, outcomes that federal land policy could help replicate nationwide.

9. Modernize construction-to-permanent and 203(k) rules

One of the most efficient ways to build or rehabilitate starter homes is through single-close construction-to-permanent loans and renovation loans like FHA's 203(k) program. Communities that have successfully deployed streamlined construction-to-perm and rehab products have seen faster delivery of new homes, more preservation of aging housing stock, and better access to financing for moderate-income families who want to build or improve a home in the communities where they already work. Unfortunately, current rules across HUD, USDA, and the GSEs can

be so complex and restrictive that many lenders simply choose not to offer these products at scale, limiting options for both builders and borrowers. The Administration can direct HUD to simplify its construction-perm requirements, allow more flexible contractor approvals, and modernize escrow and inspection rules to reduce friction and compliance costs. FHFA can require Fannie Mae and Freddie Mac to launch a robust single-family construction-to-perm pilot and USDA can update Section 502 construction-perm rules—especially around appraisals, energy standards, and inspections—to make rural starter-home construction more feasible.

10. Level the playing field for small and emerging developers

In many communities, small and mid-sized builders are best positioned to add “missing middle” housing, rehabilitate existing properties, and fill gaps that large national developers overlook. Yet federal underwriting standards often assume a scale and balance sheet that small developers simply do not have, especially in rural and historically underserved markets. The Administration can direct HUD, USDA, SBA, and Treasury to harmonize and streamline their underwriting standards for small developers and to invest in builder training and credit-readiness programs. When local community development financial institutions and state agencies have partnered with small builders—backed by flexible federal guidelines—they have increased production of duplexes, small multifamily buildings, and modest infill projects that fit seamlessly into existing neighborhoods. Lowering barriers for small builders does not mean lowering

standards; it means designing federal programs around the realities of the people who are actually willing to build attainable homes.

From Zero Sum to Win-Win

The housing affordability crisis did not materialize overnight, and it will not be solved by any single action—legislative or administrative. But the ten steps outlined here are tangible, impactful, and achievable now, under existing authority, by an Administration that is willing to treat housing affordability as a core economic priority rather than a talking point.

Congress should continue its bipartisan work on comprehensive housing legislation, from the ROAD to Housing Act to the Housing for the 21st Century Act and beyond. At the same time, the Trump Administration can act today to fix counterproductive capital rules, unlock bond authority, support employer assisted housing, deploy surplus land, empower small developers, eliminate regressive fees, modernize construction lending, rationalize MSR treatment, scale offsite construction, and accelerate zoning reform. Doing both—legislating and executing, at the same time—is how a serious country responds when a basic necessity like a safe, affordable home slips out of reach for millions of its people.

Posted in: [Featured](#)

So what does explain homelessness? The availability and cost of housing. When Colburn and Aldern begin testing these variables, their charts, which had just been masses of disconnected bubbles, coalesce into lockstep lines. As the cost of rent rises, so too does the number of homeless. As the vacancy rate plummets—meaning that the housing market is tight, with too many buyers and too few sellers—homelessness rises.

The way to think about homelessness, they write, is to imagine a game of musical chairs. With ten chairs and ten people, everyone will find a chair when the music stops. That will be true even if one of the players is on crutches. With nine chairs, someone will inevitably be left out. That's when individual life circumstances begin to predict homelessness. If you live in a city with too few homes, poverty and drug abuse and unemployment and mental illness make it likelier that you will be among those who end up without a home. But the cause of homelessness isn't the poverty or the addiction or the unemployment. All those conditions are far more prevalent in, say, West Virginia than in California, and yet California has six times the per capita homelessness of West Virginia.

This leads to a reality many prefer not to acknowledge. If homelessness is a housing problem, it is also a policy choice—or, more accurately, the result of many, many, many small policy choices. The writer Matthew Yglesias, who spent a decade trying to persuade liberals of where they've gone wrong on housing,⁴⁸ illustrated this nicely in a 2021 essay.⁴⁹

Yglesias quotes the urban planner Payton Chung's description of the 1951 sci-fi classic *The Day the Earth Stood Still*, which features Klaatu, an alien, escaping captivity at what was then known as Walter Reed General Hospital and moving into a Washington, DC, boardinghouse at Fourteenth and Harvard Streets. Boardinghouses were a common place for adults to live through much of American history. They worked something like today's college dorms: The rooms were small, the bathrooms and kitchenettes shared, and the cost was low. They weren't as nice to live in as a single-family home with a detached garage, but they were far nicer than a tent in the middle of an encampment in the dark of winter. So where did they go?

The answer is that they were made, in most jurisdictions, functionally illegal. By the 1950s, rooming houses were already a target for city planners looking to maintain high home prices and orderly neighborhoods. “If rooming houses are permitted to spread to the city’s one- and two-family neighborhoods, there is not much use in talking brave words about fighting blight,” wrote the *St. Louis Post-Dispatch* in 1957. “Rooming houses are not compatible with one- and two-family districts. When the rooming houses come in, the families move out—and the whole area starts down hill.”⁵⁰

A report from the American Society of Planning Officials that same year offered guidance to planners looking to creatively rid their cities or neighborhoods of such nuisances: “Zoning is not the only tool available to control the blighting effects of rooming houses. Housing codes in an increasing number of cities require that decent—though often minimal—standards be maintained in them. Besides protecting the roomers, enforcement of these codes can do a great deal to assure that rooming houses do not harm districts in which they are properly located.”⁵¹

Over time, planners did exactly that: Zoning and building codes required homes to be built with ever more features and amenities. Minimum parking requirements were added and maximum residency limits appeared. Some of this was done to upgrade housing stock or protect health and safety. Some of it was done to eliminate entire forms of housing that gave the poor or the unlucky a continued toehold in richer neighborhoods. Does it really “protect the roomers” to move them from a boarding home without parking spaces to a tent beneath the overpass?

“It took a while, but over the generations, the planners have been very successful at mostly eliminating the accommodations for down-and-outers with the consequence that if you are down

and out in a city where real estate is expensive, you end up on the street,” Yglesias writes.⁵²

The point is not that cities wanted the homelessness crises they now face. They didn’t. Their hope was that people who couldn’t afford the kind of housing they allowed would leave. Many did exactly that, of course. But some had nowhere else to go. Others needed to stay near their families or jobs. And these policies did not generate crisis in a single year, or even a single decade. It took time before choices to limit housing led to mass homelessness. But it is not surprising that choices to limit housing led to mass homelessness. And it is not even surprising that cities often choose to limit the forms of housing, or even the amount of housing, that can be built nearby. After all, if you already own a home, scarcity makes the asset you own all the more valuable.

What Happened in the 1970s?

There’s an odd website called WTF Happened in 1971? It’s a long stack of charts, gathered magpie-like from all manner of books and papers and articles, recording the many ways society began to tilt on its axis as the ’70s dawned. The most convincing of them are economic: starting in the ’70s, wages began to stagnate, inequality began to soar, inflation began to rise, and housing prices began their inexorable march upward.

Our favorite of these charts shows how many years an average wage earner would presumably need to save to buy a home. In 1950, it’s 2.3 years. In 1960, it’s 2.6 years. In 1970, it’s 2.4 years. But then something happens. By 1980, it’s 3.8 years. By 1990, it’s 5.4 years. By 2000, it’s 7 years.⁵³ And this forward march is hiding the regional

differences: that home you could buy with 2.4 years of labor in 1970 was in a different kind of city than that home you could buy after even 7 years of work at median wages in 2000.

Real wages stagnated over these decades, but they didn't fall. The action was in housing prices, which rose and rose. This was something new. Prior to 1970, housing wasn't a prime asset. You bought a home to live in it. But that changed in the 1970s. Inflation was part of the reason. One of the main aims of federal housing policy has been to make possible the thirty-year fixed-rate mortgage, a peculiar financial device that wouldn't survive a day in the economic wild. What lender in their right mind would hand out thirty-year loans on fixed terms to virtually anybody with a job? But the federal government backed those mortgages and made the interest payments on them into large tax deductions, and so they became the cornerstone of the American housing market. But they became something else, too: a hedge against inflation. A fixed-rate mortgage holds payments flat on an appreciating asset. While inflation eats away at the real value of those payments, the value of the thing the payments are going toward—the house—just goes up and up.

From 1955 to 1970, owner-occupied housing held at about 21 percent of total household net wealth.⁵⁴ Between 1970 and 1979, it climbed to 30 percent of net wealth. For those who owned a home, it was much more of their total wealth than that. But a home is a peculiar form of wealth. You typically need to live in it. Selling stocks or bonds liquidates an asset you don't use in your day-to-day life. Selling a home liquidates the place you sleep, the walls within which you may have raised your children or grown to adulthood yourself. Financial interest merges with sentimental attachment and daily need. But it gets worse, as Fischel explains:

It is worth a moment to consider how financially problematic an owner-occupied home was at the beginning of the twentieth century—and remains to the present. An investment advisor whom you have consulted looks at your middle-income portfolio and tells you that you should put almost all of your liquid assets in a single investment. It is not a diversified mutual fund; it is a single firm, and the firm makes only one product in a single location. It has a great upside in that its returns are almost entirely untaxed under federal and state income tax laws, and it insures you against rent increases by the landlord. But its asset value is subject to a multitude of risks. Not least are those from the neighborhood and the single municipality in which the firm is located. Bad events next door, down the street, at the school district, and in city hall can put your life savings in a tailspin.⁵⁵

In the '70s, rising inflation and slowing home building turned the homes people did own into the center of their wealth. But how do you protect the value of that asset? You can insure a home against fire, but you can't insure it against rising crime rates or local schools slipping in quality or a public housing complex being built down the block.

To manage those risks, you need to control what happens around your home. You do that through zoning and organizing. You do it through restricting how many homes and what kinds of homes can be built near you. You do it by making the minimum allowable lot sizes bigger and the parking requirements more expansive because both those rules ensure that only wealthier people will be able to buy into your community. You do it through organizing at planning meetings to defeat proposals for apartment

buildings—they'll change the character of the neighborhood, and think of the traffic!—and refusing to expand sewer systems to areas where developers might want to build new homes.

In her essay "The Homeownership Society Was a Mistake," Jerusalem Demsas, who covers housing at the *Atlantic*, traces the politics of treating homes as assets. Housing is often spoken of as a safe investment, but it's not. Homes rise in price when there are too few of them to go around. The greater the gap between supply and demand, the higher the returns for homeowners. "At the core of American housing policy is a secret hiding in plain sight," she writes. "Homeownership works for some because it cannot work for all. If we want to make housing affordable for everyone, then it needs to be cheap and widely available. And if we want that housing to act as a wealth-building vehicle, home values have to increase significantly over time. How do we ensure that housing is both appreciating in value for homeowners but cheap enough for all would-be homeowners to buy in? We can't."

The logic of this is inescapable, and the politics it creates predictable. "[A] home's value is directly tied to the scarcity of housing for other people," Demsas says. "This system by its nature pits incumbents against newcomers."⁵⁶

The '70s were a period of ferment for this form of politics. The run-up in housing prices was part of it. But Fischel emphasizes a few other forces. The Interstate Highway System, coupled with the growth of car use, allowed people to live farther from their workplaces than was possible even a few decades before. Then came civil rights legislation that made it illegal to directly discriminate against homebuyers based on race. Communities that wanted to—in the sanitized language of real estate—"preserve their character"

needed to find other means by which to do it. And they did, through rules like setting a large minimum lot size for new construction.

"Lot-size requirements forced developers to build fewer and more expensive homes, in turn guaranteeing that the homes would be sold to wealthier, whiter buyers," writes Anbinder. He quotes a homeowner in Greenwich, Connecticut, giving up the game in 1967. "It's like going into Tiffany and demanding a ring for \$12.50," said the homeowner. "Tiffany doesn't have rings for \$12.50. Well, Greenwich is like Tiffany."⁵⁷ If you zone Greenwich so the only people who can afford homes are multimillionaires, then only multimillionaires will live in Greenwich.

Fischel is an economist, so he takes a materialist view of what was happening here. To him, the core of the story is home prices, and the desire of homeowners to keep those prices rising, and everything else was more or less a rationalization. "Economic advantage is a powerful private motivator, but it plays poorly in public discourse," he writes. "It is considered gauche (I have tried it) to mention in a public meeting that a particular public policy will raise or lower home values, even though what is acceptable to mention—traffic, crime, walkable streets, local pollution—pretty clearly maps onto home values. Something less obviously selfish is required to get other community residents to rally around the cause."⁵⁸

But while there was plenty of selfishness in the housing politics of the '70s, something less obviously selfish was going on, too. Something noble and even necessary. The story of rising housing prices in America isn't a simple morality play of greedy homeowners and feckless city planners. This is a story, at least in part, of how the solutions of one era created the problems of the next.

America the Ugly

In May 1964, Lyndon B. Johnson stepped onto the podium at the University of Michigan to deliver that year's commencement address. The president began with a capsule history of the country he now led. "For a century we labored to settle and to subdue a continent," he said. "For half a century we called upon unbounded invention and untiring industry to create an order of plenty for all of our people." But the age of untrammelled growth—the whirlwind economic expansion that the New Dealers had set into motion—was revealing its limits. What was the cost of all this plenty?

"The catalog of ills is long: there is the decay of the centers and the despoiling of the suburbs," he said. "There is not enough housing for our people or transportation for our traffic. Open land is vanishing and old landmarks are violated."

Worst of all, expansion is eroding the precious and time-honored values of community with neighbors and communion with nature. . . .

We have always prided ourselves on being not only America the strong and America the free, but America the beautiful. Today that beauty is in danger. The water we drink, the food we eat, the very air that we breathe, are threatened with pollution. Our parks are overcrowded, our seashores overburdened. Green fields and dense forests are disappearing.

A few years ago we were greatly concerned about the "Ugly American." Today we must act to prevent an ugly America.⁵⁹

The problem the New Deal faced was straightforward. People had too little and they needed much more. But by the time Johnson took office, the difficulties of deprivation had been joined by diseases of affluence. In his 1958 bestseller *The Affluent Society*, John Kenneth Galbraith described an America cosseted by new comforts yet unable to shake a sense that something had gone fundamentally awry:

The family which takes its mauve and cerise, air-conditioned, power-steered and power-braked automobile out for a tour passes through cities that are badly paved, made hideous by litter, blighted buildings, billboards, and posts for wires that should long since have been put underground. . . . They picnic on exquisitely packaged food from a portable icebox by a polluted stream and go on to spend the night at a park which is a menace to public health and morals. Just before dozing off on an air mattress, beneath a nylon tent, amid the stench of decaying refuse, they may reflect vaguely on the curious unevenness of their blessings. Is this, indeed, the American genius?⁶⁰

Modern American liberalism may have been born in the New Deal. But it was reborn in its aftermath. It matured into a political movement with a divided soul. Much of midcentury liberalism evolved in reaction to the excesses and consequences of New Deal liberalism. "One of the most consequential conflicts in postwar America was between two systems of values," writes Jake Anbinder in "Cities of Amber." "An older *growth politics* which extolled the benefits of metropolitan development, and a newer *antigrowth politics* which rejected the idea that such development improved society."⁶¹

It is hard, now, to imagine how quickly the built environment

of America changed in these years. In 1900, there were scarcely 8,000 cars in the entire country.⁶² By 1970, 118 million cars sluiced through a nearly completed Interstate Highway System. In 1900, no one had ever flown in an airplane. By 1970, millions of passengers boarded wide-body jetliners like the Boeing 747 to travel across the oceans to thousands of airports around the world. To a previous generation, this technology would have been indistinguishable from sorcery. As every reader of fantasy novels knows, great magic carries a terrible price.

In 1943, Los Angeles residents woke up to air so dark and noxious that they feared the Japanese had launched a gas attack.⁶³ Five years later, a lethal smog in Donora, Pennsylvania, caused by industrial pollutants from zinc-smelting plants and a temperature inversion that trapped toxins in the air⁶⁴ killed twenty people and sickened thousands.⁶⁵ In New Hampshire, the Merrimack River, lined with textile mills in Manchester and Nashua, ran in different colors by the day, as dyes and chemicals dumped into the river tinged the water red, then green, then yellow.⁶⁶ In Cleveland, Ohio, on June 22, 1969, oily waste and debris were ignited, possibly by a flare thrown onto the Cuyahoga River, sparking a fire as tall as a four-story building.⁶⁷ In Pittsburgh, midcentury drivers had to use their windshield wipers to clear away the soot so they could see the road.⁶⁸ America in the 1950s and '60s was paradoxically the richest superpower in world history and functioned as a kind of mass-industrial conspiracy to kill its own residents.

The toxicity of growth triggered a reaction among intellectuals and, later, within government. In 1962, Rachel Carson, a marine biologist suffering from breast cancer, published *Silent Spring*, which argued that chemical pesticides were devastating our ecosystems and destabilizing the biosphere. The book is broadly credited with

founding the environmental movement, but like any founding document, it hit a nerve because it concretized anxieties that already existed. Environmentalism soon permeated the broader culture. In the late 1960s, Gaylord Nelson, the senator from Wisconsin, who had been closely watching the student-led protests around the Vietnam War, was inspired to channel that energy and enthusiasm to protest on behalf of the environment. He hired a young activist named Denis Hayes, who came up with the idea of a walkout on the first day of spring, which they would call Earth Day. On April 22, 1970, more than 20 million people—roughly 10 percent of the US population—poured into the streets. It was the largest single demonstration in American history.

Between 1966 and 1973, the US passed almost a dozen laws that required the government to be more responsive to local citizens and the environment. They were the National Historic Preservation Act (1966), the Department of Transportation Act, the Federal-Aid Highway Act of 1968, the National Environmental Policy Act, the Clean Air Act of 1970, the Uniform Relocation Assistance and Real Property Acquisition Policies Act, the Noise Control Act of 1972, the Clean Water Act, the Federal-Aid Highway Act of 1973, and the Endangered Species Act. In seven years, America compiled an arsenal of regulation to slow or outright stop the era of big government building.

These were not partisan fights. To read President Richard Nixon's State of the Union address from 1970 is to tumble into a politics very different than our own, where Republicans talked in ways that even few Democrats dare speak today:

The great question of the seventies is, shall we surrender to our surroundings, or shall we make our peace with nature and

begin to make reparations for the damage we have done to our air, to our land, and to our water?

Restoring nature to its natural state is a cause beyond party and beyond factions. It has become a common cause of all the people of this country. It is a cause of particular concern to young Americans, because they more than we will reap the grim consequences of our failure to act on programs which are needed now if we are to prevent disaster later.

Clean air, clean water, open spaces—these should once again be the birthright of every American. If we act now, they can be.

We still think of air as free. But clean air is not free, and neither is clean water. The price tag on pollution control is high. Through our years of past carelessness we incurred a debt to nature, and now that debt is being called.

Nixon promised that “the program I shall propose to Congress will be the most comprehensive and costly program in this field in America’s history.” He was as good as his word. He went on to sign the National Environmental Policy Act, the Clean Air Act, and the Endangered Species Act, and he created the Environmental Protection Agency, making him arguably the most important environmentalist president of the twentieth century.

But Nixon was not aberrant as a Republican taking the environmental worries of the moment seriously. “I might be letting you in on a little secret—as a matter of fact, one of the best-kept secrets in Washington,” President Ronald Reagan told the nation in 1984. He went on to describe California’s leadership role in passing environmental legislation. He talked about how the nation had followed California’s lead. And then he delivered the punch line. “The secret

I mentioned is that I happened to have been Governor of California back when much of this was being done,” Reagan said.⁶⁹

In “Cities of Amber,” Anbinder tells the story in more detail. Reagan signed the California Environmental Quality Act—CEQA, as it’s called—into law in 1970. But he did not know what he was signing, and the legislature did not know what it was passing. The bill was thought to be modest. Despite the environmental consciousness rising in the state and in the media at the moment, the *Los Angeles Times* didn’t devote a single full article to the legislation.

Then, in 1972, came a case called *Friends of Mammoth v. Board of Supervisors of Mono County*. A developer had proposed to build six buildings’ worth of condominiums and shops and restaurants near Mammoth Lakes, one of California’s beloved ski resort areas. Friends of Mammoth, a homeowners’ association, sued to stop the build, arguing that it would strain water and sewage resources. The novelty of their argument was that they sued under CEQA. The legislation, as passed, held that government entities in California needed to produce environmental impact reports before embarking on major new projects. But the developer of the proposed Mammoth Lakes condos was not an arm of the California state, and this was not a public project. The argument of the Mammoth homeowners held that yes, actually, it was, because any development that required public permits to be built was inherently a public project.

Friends of Mammoth lost the case in the lower courts but appealed up to the state Supreme Court, which ruled in their favor in a 6-to-1 decision. CEQA, the court held, applies “not only [to] situations in which the government itself engages in construction, acquisition or other development, but also [in] those instances in which the state regulates private activity.”⁷⁰ That meant it applied

to, well, almost anything that anyone might try to build in the state of California. As a lobbyist for the Sierra Club put it, CEQA now covered “anybody engaged commercially in putting two sticks of wood together.”⁷¹

The *Sacramento Bee* called the decision “probably . . . the most important such ruling by any court in the field of environmental concern since the daisy-pickers came out of the woods and plunged into the tangle of government influence.”⁷² San Francisco froze all new plumbing, building, and electrical permits until it could fully understand the scope of the ruling. As Anbinder dryly notes, “Having been informed of what the law they had passed two years earlier actually said . . . the legislature moved quickly to impose a four-month moratorium on CEQA’s implementation so that work-sites across the state would not come to a complete standstill.”⁷³

A couple of years later, government agencies in California were reviewing more than four thousand environmental impact statements annually—four times more than the entire federal government was generating under the facially similar National Environmental Policy Act. CEQA became a potent weapon against the construction of new homes. “Between 1972 and 1975, twenty-nine thousand proposed homes in the Bay Area—roughly a fifth of the region’s total housing production at the time—were subject to environmental litigation,” Anbinder writes.⁷⁴

Julie Z. Weil, Are YIMBYs winning the housing wars? Not so fast, these people say, Washington Post, 2/1/2026.

For years, housing activists couldn't agree on what was driving prices higher, let alone how to fix it.

The divide stems from two schools of thought: One side lays the blame on a lack of inventory. Build more housing — especially in dense, transit-accessible neighborhoods — and the laws of supply and demand will lower prices for everyone, goes the thinking of the YIMBY (Yes in My Back Yard) movement.

On the flip side are the “supply skeptics,” who tend to believe housing affordability calls for government policies, not just market forces.

From city council hearings to the halls of academia, the debate raged for years. Then came 2020, and Americans raced to buy homes during the early stages of the coronavirus pandemic. Prices shot up, pushing the U.S. median to \$410,800, a 30 percent increase in five years, [Federal Reserve data shows](#). Median prices go significantly higher in the West (\$531,100) and Northeast (\$796,700). Now even [starter homes](#) are increasingly out of reach.

The political pressure to rein in housing costs has led to a wave of YIMBY legislative victories. Last year, 13 states passed laws peeling back regulations to remove barriers to home construction, according to the group Welcoming Neighbors Network.

Dennis Shea, a housing expert at the Bipartisan Policy Center, says the YIMBYs have put the housing debate to rest. “They’ve won,” he says flatly.

Most Americans seem to agree, a YouGov [survey](#) found, with nearly 7 in 10 saying the amount of available housing contributes “a great deal” or “a fair amount” to the cost of housing. Nearly 6 in 10 also blame government regulation for housing costs.

But supply skeptics like Michael Storper, Source commentSource comment an urban planning professor at UCLA and the London School of Economics, say there's enough home construction. “To put it bluntly, in America we haven't actually been underbuilding,” said Storper, an urban planning professor at UCLA and the London School of Economics. “The problem is demand is now split in a very unequal society. The supply you get is the wrong kind of supply.”

Six years ago, Storper co-authored a paper with colleague Andrés Rodríguez-Pose arguing that regulations like zoning and parking requirements aren't driving up home prices. It sparked an uproar in research circles.

In a [newly published paper](#), Storper and new co-authors say that despite “broad consensus in public discourse” embracing the YIMBY push for deregulation: “Links between regulation and supply, and between supply and prices, are weak at best.”

Simply unleashing developers to build more homes won't make housing affordable, the paper says. It explores a hypothetical: Imagine that a city increases its housing stock by 1.5 percent each year — a rate that is more than twice the growth of New York or San Francisco from 2000 to 2020, though lower than Denver, Phoenix or Houston.

If all that new housing caused prices to fall by 4 percent a year, it would take 18 years before a median one-bedroom apartment becomes affordable for a worker without a college education in San Francisco, or 11 years in the District or eight years in Boston, the paper says. If housing prices fall more slowly, less than 1 percent per year, it would take as much as 124 years in San Francisco and 109 years in Los Angeles.

That's no way to fix affordability, they insist. Focusing on deregulation is a "harmful distraction" to more direct approaches like publicly funded vouchers to help pay for housing.

The National Bureau of Economic Research recently published a [working paper](#) attacking the idea of constrained supply as the problem with housing, claiming instead that rising home prices basically tracked local income, regardless of zoning laws in a given city. The paper called the idea that regulation drives up prices "the standard view" and "the prevailing view," but claimed that it is wrong. YIMBYs rushed to [poke holes](#) in the argument.

One author, Schuyler Louie, said in an interview that he concluded developers have basically been able to build housing at the cost that each local market will bear. Removing regulations wouldn't necessarily lead developers to build more.

"Per capita income growth is correlated pretty much one-to-one with house prices," Louie said. "If I get richer in a city, I'm not going to demand more units of housing. I'm going to demand a nicer house, which is going to increase the price without actually increasing the demand for units."

Rodríguez-Pose takes issue with a YIMBY view known as "filtering" — that even the construction of high-priced luxury housing will improve housing affordability, because the people who pay to live in the luxury buildings will no longer be competing for another apartment that will become available for a lower-income renter.

"What was, for me, very weird was the claim by many scholars that the best way to address urban inequality ... was to start building the most expensive homes in the most desirable locations, and hope that everything was going to trickle down," Rodríguez-Pose said. He doesn't think the conventional laws of supply and demand function well in the housing market.

Houses, he said, "are not necessarily interchangeable. It doesn't mean if you start building houses in Montana, then people are going to move to Montana."

Across the country, a wave of pro-housing supply sentiment has been building in recent years, with politicians in both parties enthusiastically embracing the view that obstacles to housing construction are a problem to be cleared away. Maryland, for instance, will [require](#) counties to let homeowners build accessory dwelling units starting this year. Florida blocked local apartment building moratoriums and cut down on parking requirements. Arizona forced cities to allow construction [starting at 5 a.m.](#) A large group of cities, from Philadelphia to Denver to Seattle, passed YIMBY laws.

While Republicans tend to promote less regulation, the new YIMBY laws have support on both sides of the aisle.

"Today as many people on the left as on the right, maybe more on the left even, acknowledge that local [regulations] are the major if not the main obstacle to building housing. It's just so clear of a story. ... And people are witnessing it in the places where they live, where prices are so high," said Kevin Corinth, a former Senate and White House staffer who works for the right-leaning American Enterprise Institute. "I think there's just a recognition, if we want these places to be at all available for moderate- to middle-income families, we just need to build more."

That said, he added, there's growing concern among some on the right about density. Some Republicans say: "We worry about preserving suburban areas as they are. We worry about homeowners potentially seeing a decline in the value of their homes."

Journalists Ezra Klein and Derek Thompson pushed for removing obstacles to housing and other forms of construction in their influential 2025 book "Abundance."

Giselle Hale, a former mayor of Redwood City, near San Francisco, is involved in the advocacy group YIMBY Action and also leads the “Abundance Network,” a group of state and local elected officials across the country who espouse the ideas of the book.

“I do think that it has definitely turned the tide. We have seen so many more leaders get elected for whom this is a top priority,” she said. The book and the formation of new advocacy groups helped people learn about the topic, come to believe in the ideas, and prioritize the policies. And the increasing stress in the housing market upped the urgency. “We hit the tidal wave where the pain of not building housing for so long became undeniable.”

Adam Guren, a housing economist at Boston University, thinks some key questions are still up for debate. “The real question is: How segmented are housing markets? There’s one model where if you add floor space to the city, that drives down prices. Another where luxury apartments ... are completely different, and there’s not going to be this trickle-down cascade where that drives down prices.”

Democrats are divided, with some taking up “Abundance”-inspired objections to rules that make it expensive to build housing, like parking requirements and mandated minimum lot sizes, while some left-leaning groups favor less market-driven ways to make housing more affordable.

“If we really were focused on getting and keeping people housed, we wouldn’t be playing around with all these things around the margins,” said Unai Montes-Irueste, a leader of the left-leaning group People’s Action. Instead of reforming permitting and zoning laws to allow housing to be built, he thinks, the government should just build it.

“The housing that we need is housing for working people, and that housing is really hard to produce” just by letting developers build more, said Meghan Choi, executive director of the

Los Angeles tenants’ group Power. “In order for people to be truly safe, then yes, public housing has to be treated like public education. ... It should be protected as a right.”

Julie Z. Weil, Why nobody really knows the scale of the U.S. housing crisis, Washington Post, 2/4/2026

America faces a serious housing shortage, one that Moody's estimates would take more than 2 million new homes to resolve.

But over at Goldman Sachs, analysts put the number at 3 million. Zillow's estimate tops 4 million, while Brookings projects 5 million, and McKinsey says 8 million. Meanwhile, congressional Republicans insist the shortfall is closer to 20 million.

Then there are the economists who contend there's no shortage at all.

The disparate projections reflect the challenge of quantifying the nation's housing needs, a puzzle that rests on assumptions about how much a home should cost, how many people it should hold and how big a footprint it should have.

With housing affordability a crucial political issue and increasingly out of reach for many Americans, determining the nation's needs is not merely an academic exercise but is key to devising policies that will solve the problem.

Vacancy rates and missing households

The U.S. has 146 million homes, Census Bureau data shows. Of those, 8.1 million are "doubled up" households, meaning people are sharing space with non-relatives. [Zillow's housing estimate assumes](#) most of those people would prefer having their own place. There also are 3.4 million vacant homes available to rent or buy, the real estate website says. So Zillow economists subtracted the number of available homes from the number of doubled-up households and concluded that the nation needs 4.7 million more homes.

Several analyses zeroed in on two questions: How many homes should be vacant, and how many consumers have delayed striking out on their own because of the cost?

Though it might seem counterintuitive, a healthy housing market needs vacancies. An empty property could signal it's between tenants or buyers, for example, or under renovation. Or it could mean the owner is splitting time between properties; according to the National Association of Home Builders, more than 6 million homes — about 1 in 20 — are [secondary residences](#).

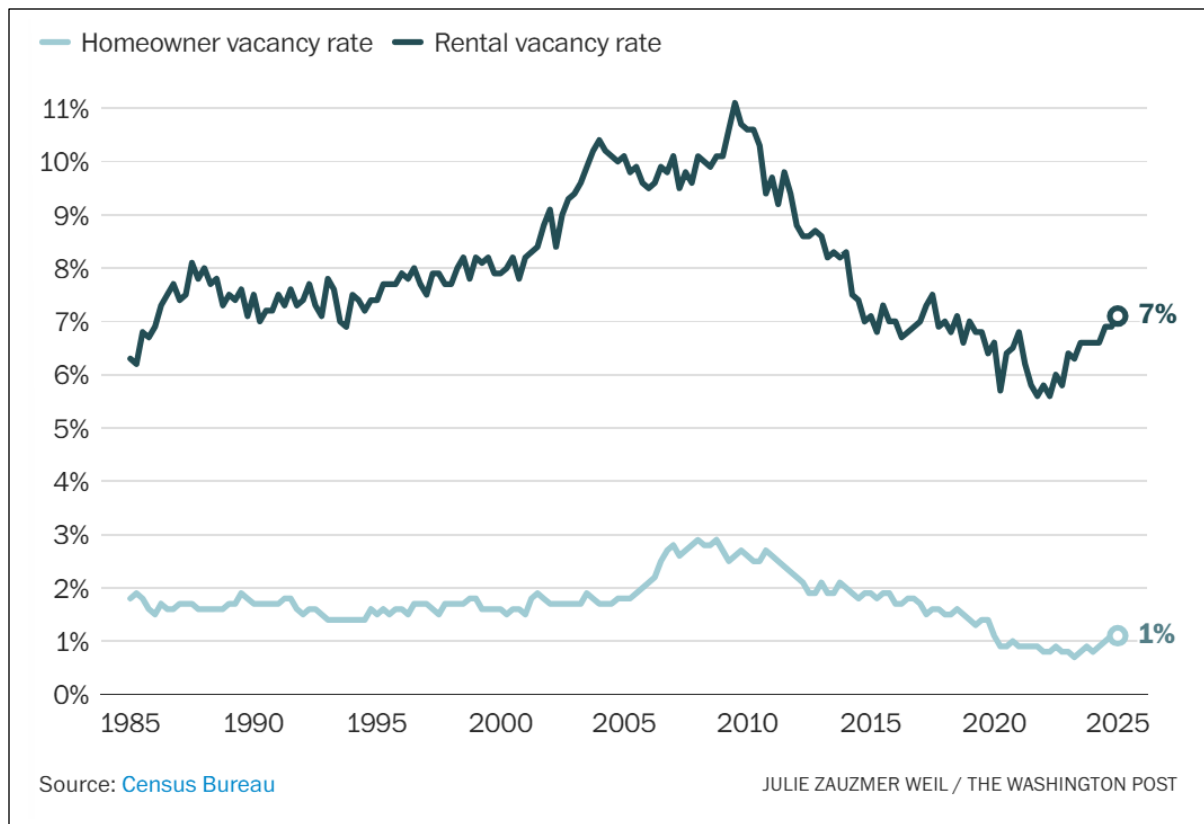
What constitutes a healthy level of vacancies is harder to define, as experts put it anywhere from 3 percent to 13 percent. After home construction cratered following the 2008 housing crash, vacancy rates slumped to the lowest level in nearly two decades, falling to less than 1 percent of owner-occupied dwellings and 5 percent of rental units. They have yet to fully recover.

Vacancy rates tumbled after the early-2000s housing boom ended

Many economists believe the U.S. needs more vacant houses today, along with more houses for people to live in.

The optimal home number could be as simple as one for every household, plus a certain number of vacancies. But what if we don't have an accurate count of households?

When housing costs are prohibitive, adult children tend to [reside with their parents](#) longer; in 2023, 18 percent of adults 25 to 34 were living in a parent's home, compared with 8 percent in the 1970s, according to a [Pew Research Center report](#).



For many economists, that suggests the equation should be: the number of existing households, plus the number of homes that should be vacant, plus the number of households that would naturally come into being if there was enough inventory to lower prices.

Yet different researchers using this framework still came up with different answers for the housing shortage.

Moody's Analytics and PolicyMap say it would take 800,000 homes to reach the equilibrium of the U.S. housing market between 1985 and 2000. Add 1.2 million "pent-up households," those that haven't formed yet, and the [conclusion](#) is the U.S. needs an additional 2 million homes.

[Brookings](#)'s calculation aims to get back to the 2006 vacancy rate of more than 12 percent, when it was near its historic peak. It used a complex statistical model to tease out how much of the decline in household formation since then is due to home prices instead of other

factors, such as young people having trouble finding jobs or marrying later. As a result, it concluded the U.S. needed 4.9 million more houses.

Other analyses along these lines include [Freddie Mac](#)'s, which calls for 3.7 million more homes. [Goldman Sachs](#) analysts tried the "vacancies plus pent-up demand" approach, as well as a mathematical model to determine how many homes it would take to make ownership as affordable relative to income as it was in the 1990s. Both equations worked out to between 3 million and 4 million homes. [McKinsey](#) added up new households and vacancies, plus enough housing to address homelessness and replace overcrowded homes with more than one person to a bedroom, to get to 8.2 million.

Envisioning an unconstrained market

A [2022 congressional report](#) took a different tack. Most analyses attempt to re-create some semblance of the housing market two,

three or four decades ago. But Republicans on the Joint Economic Committee argued that the correct number is equal to the number of homes that developers would build had they had no regulatory constraints — no permitting or zoning rules that prohibit them from building what customers want.

The Republicans' estimate relied on the reasoning that the value of the land should be about 20 percent of the home cost. Anything higher would mean the market is artificially constrained; land becomes pricier when it is harder to build something on it. To bring prices in line with that in every U.S. county, they concluded the home shortage stood at 20 million.

By their math, North Dakota and West Virginia have almost no housing shortage, while California is short 4.5 million homes. Eliminating zoning and building restrictions across the country's hundreds of jurisdictions might be unfeasible, but they project that any substantial effort would lower prices. For example, they contend that building an additional 2.7 million homes could reduce prices enough to make ownership economically viable for nearly 5 million more consumers.

"If we relaxed all regulations that concerned supply in every single market in the United States, this is how many homes you would have. ... I do think this is the right way to think about how many homes we should have," said Kevin Corinth, an economist who co-authored the report while he was a Senate staffer and now works at the American Enterprise Institute, a libertarian think tank. "If you really want to bring down home prices to the point where people can actually afford them, you're going to have to build a lot more houses than people are suggesting."

Per capita spending

Housing analyst Kevin Erdmann did some eye-popping math recently. Adjusted for inflation, per capita spending on housing construction has been falling as a fraction of personal

consumption, dropping 23 percent since 1990. If such spending held to 1990 levels, he said, the U.S. would have an additional 40 million houses. "Almost all professional estimates of the housing shortage are ridiculously low," Erdmann, who has written two books about the housing market, [wrote](#) on his Substack.

He said the slowdown in construction spending indicates that people are living in [smaller homes](#) than they would prefer because they had no choice, but he shies away from actually saying the country is 40 million homes short. Instead, based on aggressive assumptions about missing households and necessary vacancies, he says the country needs 15 million to 20 million.

Maybe there's no shortage at all

Urban planning professors Kirk McClure and Alex Schwartz examined 900 U.S. metropolitan areas and found that only 19 had added more population than housing since 2000. Before the 2008 recession, they argued, developers built far too many houses, leaving room for under-building in some years since.

"Yes, we have a shortage of units in the low-income price points, but not overall," McClure said. He contends it would be far less costly for the government to help poor households rent or buy existing units than to build new ones. "The best housing program right now would be an increase in the minimum wage. You get people up to \$20 an hour and suddenly life gets better — we can't build our way out of this problem."

This view of the current housing supply transcends partisan lines, with some of the highest and the lowest estimates of the shortage [coming from the right](#). Economists at the libertarian [Cato Institute](#) contend that housing production has kept up with population growth. Just because people want to live in big houses in expensive, densely populated areas, they assert, doesn't mean there's a shortage.

"A shortage is literally people don't have anywhere to live. That's not what we have,"

Norbert Michel, one of the Cato writers, said in an interview.

In the end, the dispute doesn't just come down to the choice of mathematical models, but varying interpretations of what a housing shortage even means.

"If I have a hard time finding an apartment in the area of Washington, D.C., that I like, I can still move to Maryland and find something,"

Michel said. "The idea that I'm just completely shut out of all my options and I can't find any place to live, that's what a shortage evokes. And the data doesn't support that."

Erdmann views it differently: "There are 28-year-olds living with their parents that wouldn't be if there were a house. If that's not a shortage, I don't know when you could use the word."

Ronda Kaysen, Why Building Alone Won't Solve the Housing Crisis, NY Times, 2/5/2026

The United States has not built enough housing for years, and a consensus has coalesced around a simple solution — if communities simply built more homes, rents and home prices would come down.

But a new report raises doubts about that narrative, finding that in cities that aggressively built housing in recent years, rents rose dramatically for low-income households and stabilized for wealthier ones. The new rental housing that was built was often luxury housing, with studios and one-bedrooms, units that targeted young, single professionals but were too small and too expensive for low-income households with children. New single-family homes for sale were larger than they were in the past, aimed at wealthier buyers, rather than cash-strapped, first-time home buyers.

“You can’t just build, build, build and think it’s going to work out for everybody in the end,” said Lelaine Bigelow, the executive director of the Georgetown Center on Poverty and Inequality, which [published the report](#) in January. “You need to think about what you’re building and who you’re building it for.”

Relying on federal data from 2015 to 2023, researchers focused on six metro areas that built more housing than the national average: Atlanta, Dallas, Houston, Phoenix, Seattle and Washington, D.C. They found that even as the housing supply increased, the number of units available to lower income households fell or was stagnant. Rents generally rose more sharply in units priced for lower income households than in those for wealthier ones. And in four metro areas, the new housing had higher vacancy rates than older properties, indicating that the newer housing stock was not meeting the needs of the renters.

“A lot of new housing production is targeted toward that higher end in the market because that’s what you need to do to make your project pencil out,” said Dan Emmanuel, the director

of federal research at the National Low Income Housing Coalition, who was not involved with the study.

The disparity was most pronounced in Phoenix, where the vacancy rate for new units was over 9 percent. Despite the vacancies, rent for extremely low income households rose 26.7 percent during the time period, as rents for moderate- to high-income households fell by 5.3 percent.

It also became harder for low-income households to find housing in Phoenix, as the number of units available to people earning less than \$30,000 a year fell by 27 percent. “What you see is by and large, if you are higher income, you are taking up most of the housing,” said Ms. Bigelow.

The housing crisis has strained household finances for millions of renters across the country. Nearly half of all renters were cost burdened in 2024, meaning they spent more than a third their income on rent and utilities, and 26 percent of them were severely burdened, meaning they spent more than half their income on housing costs, according to the most recent census data analyzed by [Harvard’s Joint Center for Housing Studies](#). But among households making less than \$30,000 a year, the numbers were even starker, with 83 percent of renters cost burdened, and 67 percent of them severely burdened.

Joel Berner, a senior economist for Realtor.com, argues that ultimately, once enough housing is built, renters will feel relief because as wealthier renters move into the newest units, the apartments they left behind become available for people of more modest means, a phenomenon known as filtering. “The only way to not be in a tight housing market is to build more,” he said.

But filtering only works to a certain point. In an expensive city, where the cost of operating a building is high, the trickle-down effect may

not reduce rents enough to both meet the needs of the lowest income households and provide a landlord with sufficient rental income to maintain the property. “The filtering process can break down or even reverse,” Mr. Emmanuel said.

To reach those renters, communities need to also build and maintain affordable housing with public funding. “You’re still going to need these subsidies for these lowest income renters,” said Mr. Emmanuel.

Rents are also rising because it has gotten substantially more expensive to own and operate a building, and rising insurance costs are a main driver of those increases. A report published Feb. 5 looked at the impact of rising insurance costs on the affordable housing supply, sounding an alarm about a looming crisis.

In 2023, insurance premiums jumped by 25 percent or higher for many affordable housing providers, with some seeing their rates double, according to the report, [published by](#)

[Enterprise Community Partners](#), which builds, operates and oversees affordable housing.

“We’re in the middle of, arguably, the deepest affordability crisis we’ve had in our lifetimes,” said Shaun Donovan, president of Enterprise Community Partners. “And the fastest growing cost in housing is insurance.”

Market rate landlords are facing the same skyrocketing costs, but without subsidies. They may pass those rising costs along to their tenants in the form of rent increases, delay maintenance, or even abandon their properties. The Enterprise report found that rising operating costs have already driven some affordable housing operators into bankruptcy, threatening the stability of the existing stock.

“The factors that are driving this are not cyclical, they are also structural,” said Mr. Donovan, a former secretary of Housing and Urban Development under President Obama, adding, “This is not today’s crisis, this is also tomorrow’s crisis.”



The stacks from the Gavin power plant behind a nearby home in Cheshire, Ohio. Image: Benjamin Lowy/Getty Images

CLASS & INEQUALITY, POLITICS

The Real Path to Abundance

To deliver plentiful housing and clean energy, we have to get the story right about what's standing in the way.

Sandeep Vaheesan

MAY 22, 2025

Abundance

Ezra Klein and Derek Thompson

Avid Reader Press, \$30 (cloth)

In their new book, *Abundance*, Ezra Klein and Derek Thompson argue that American liberals have ironically succumbed to a conservative worldview, in the original sense of “conservative.”

Instead of delivering progress, Klein and Thompson think, liberals are enforcing scarcity and smothering innovation.

After a midcentury boom, their story goes, progressives became skeptical of growth. To keep development from running roughshod over marginalized communities and the environment, liberals created a thicket of rules and regulations meant to constrain business power as well as the government itself. But these “anti-growth” policies are now causing harm in their own right, while China has been demonstrating just how much a nation can do when it is *not* so constrained. Though Joe Biden’s investments in renewables, chips, and infrastructure were a step in the right direction, Klein and Thompson say, too much red tape and too little ambition are still preventing the development of clean energy, plentiful housing, and life-saving drugs for all. Instead of delivering progress, liberals are enforcing scarcity, hamstringing government, and smothering innovation — all in the name of progressive values.

As a foil, the book opens with a utopian vision of the United States in 2050 — a world where government has gotten out of its own way and learned to build things again, or at least allowed them to be built. For Klein and Thompson, this includes drones that deliver anti-aging pills right to your doorstep and AI that reduces the work week for “most people.” Looking back from that imagined future, an unnamed narrator laments:

For years, we accepted homelessness and poverty and untreated disease and declining life expectancy. For years, we knew what we needed to build to alleviate the scarcities so many faced and create the opportunities so many wanted, and we simply didn't build it. For years, we failed to invent and implement technology that would make the world cleaner, healthier, and richer. For years, we constrained our ability to solve the most important problems.

Klein and Thompson thus set out to defend what they call “a simple idea: to have the future we want, we need to build and invent more of what we need.” They want a “liberalism that builds.”

Who wouldn't agree with that? This rhetoric, like much of the writing throughout the book, isn't just “simple.” It constantly verges on platitude or tautology, concealing consequential political, economic, and moral judgments behind a veneer of common sense. And it does so in language that repeatedly echoes the entrepreneurial mantras of the world's most powerful corporations. We have to move faster, Klein and Thompson say. Stop worrying so much about breaking things, they imply. But “politics is not just about the problems we have,” as the authors rightly observe. “It's about the problems we see.” Unfortunately, *Abundance* itself suffers from a severe case of myopia.

There are many causes of “untreated disease,” for example. Most salient to the authors are the not-yet-invented miracle drugs that would make pharmaceutical companies a fortune. But the book says little about most other causes – not even to weigh their relative contribution to our medical scarcity. Perhaps most notably, Klein and Thompson entirely ignore the intellectual property regime that protects pharmaceutical companies' extraordinary wealth and power at the expense of citizens' health by granting decades of patent monopoly frequently in exchange for nominal benefits to patients. Is a nation that leaves all this intact with the hope of plentiful daily medication really “the future we want”? Klein and Thompson might support patent reform too, but they never train their attention on *that* problem. Instead, with laser-like focus, *Abundance* again and again blames a real and urgent issue – poverty, homelessness, dirty energy, disease – on a simple and familiar

villain: well-meaning but short-sighted liberals who are more concerned with tying things up than getting things done.

Like any good story, there are grains of truth in this one. Many readers will find it persuasive, primed by decades of anti-government rhetoric directed at certain state activities from Democrats and Republicans alike. But the reality is that the authors' concrete agenda, so far as it is discernible in this mostly rhetorical book, is much more likely to perpetuate the ugliest aspects of the United States today than to deliver utopia for everyone.

That does not mean that abundance, or better-functioning government, is not a desirable end: it is. But achieving it requires breaking with the ethos of neoliberalism —its deference to private capital and hostility to public governance— that structures so much of Klein and Thompson's thinking, even when they are praising Biden's "post-neoliberal" industrial policy. A much more promising path to abundance than the one this book offers is to embrace a twenty-first-century New Deal. That is the tried-and-true model for a "liberalism that builds" in the United States, and *Abundance* rightly invokes it as a foil to the present. Yet Klein and Thompson strangely shy away from calling for a new (or Green) New Deal. And they display little understanding of how the old one actually worked, both in terms of politics and in terms of policy.

To be sure, Klein and Thompson are not hostile to government in the same way that hard-line free market fundamentalists are. They do not view government as inherently inefficient, nor do they wish to drown it in the bathtub. "The right lesson from World War II and Warp Speed" — the public-private partnership launched during Trump's first administration to spearhead COVID-19 vaccines — "is that the state is no enemy of invention or innovation," they write. "In fact, the government can accelerate both." They clearly think government has a central role to play in delivering abundance.

Still, the role they see for it is mostly limited to fiscal support for the private sector, and their main target is what they consider excessive government bureaucracy.

Throughout the book, the authors direct their ire at local zoning rules that bar the construction of multifamily housing, condition development on minimum parking requirements, or otherwise outlaw dense residential construction. And they repeatedly criticize environmental review processes that they claim delay, inhibit, or render construction of clean energy and transmission infrastructure prohibitively expensive. Remove these hurdles, *Abundance* contends, and private actors will deliver abundance—at least when goaded by sufficiently high levels of public subsidy.

The authors back these claims with anecdotes of regulations and bureaucrats supposedly stifling development. This is not rigorous argument, however, but a “story,” as the authors themselves put it on the last page of the book. The problem is that stories can be deeply misleading. Where this one doesn’t give a mistaken impression through sins of omission, it simply gets things wrong. It often blames government for bad outcomes where it should be blaming the whole structure of the market—including other government policies (among them too *little* regulation of the private sector) and, especially, the nature of private investment (even when spurred by government subsidy).

Take housing construction, a notoriously volatile industry. Many American cities are indeed facing an affordable housing crisis. Over the last half-century, U.S. housing starts—the number of privately owned units being constructed—reached a peak in 2006 before cratering in the run-up to the global financial crisis of 2008; they have not recovered since. Klein and Thompson acknowledge as much. But they fail to note that zoning rules can’t possibly be the primary driver of this stagnation.

In fact, one of the central themes of *Abundance*—dynamic Texas versus sclerotic California—ironically undercuts the myopic focus on zoning. Klein and Thompson note that states like Texas today are building more housing than liberal strongholds like California, which they view as the epitome of blue state misgovernance. But the Golden State built plenty of housing in the mid-aughts. In fact, at times in 2004 and 2005, California even permitted more new housing units than Texas did. Since zoning restrictions didn’t suddenly get tighter in the second half of the 2000s, this building boom scrambles the thesis that public land-use controls are the root cause

of today's housing crisis. The authors fail to note the many determinants of housing starts, ignoring recent national dampers on homebuilding (including high interest rates and shortages of building materials and construction workers) as well as local factors such as much higher land prices and wages and the relative scarcity of undeveloped land in blue center cities in blue states.

But even if zoning and other onerous regulations aren't the primary reason for stagnant homebuilding, couldn't upzoning help? However intuitive the idea may seem, the evidence is mixed—nowhere near as strong as Klein and Thompson insinuate. Such reforms have already been pursued in many localities. A leading meta-study published in 2023 found, on average, a 0.8 percent expansion of the local housing stock three to nine years after such changes, with significant variation. Zoning reforms produced a modest increase in housing stock in some places but not much elsewhere.

While zoning rules are unduly restrictive in many affluent suburbs, they are often far too weak elsewhere.

Recent work by economists Schuyler Louie, John A. Mondragon, and Johannes Wieland is even more skeptical. They find that unaffordable housing in coastal cities is not caused by excess regulation. Instead, it is driven by high demand and high and rising incomes. As they put it, “our findings challenge the consensus that relaxing regulatory constraints would substantially lower housing prices and meaningfully expand housing quantities.” In a recent study mapping the “many problems” in housing markets, legal scholars Ganesh Sitaraman and Christopher Serkin also conclude that “focusing exclusively—or even primarily—on loosening or eliminating zoning rules is misguided.”

Zoning is certainly too restrictive in many low-density suburbs throughout the country, but it is hardly the principal reason that housing is very expensive in high-density San Francisco and comparatively cheap in less dense Houston. The findings of Louie, Mondragon, and Wieland present another reason: San Francisco is simply a “superstar city” (in Klein and Thompson's own words), while Houston is not. The

simple story of California bad, Texas good does not stand up to scrutiny, at least on housing. Once a broader lens is brought to bear and rent is measured in relation to income, Texas looks much less like a success story.

As for energy, *Abundance* rightly stresses the need for more investment in zero-carbon power generation and transmission lines. But here the story of public barriers to abundance is even weaker. During the Biden administration, solar projects on public lands completed the environmental review process, on average, in less than six months, and between 2010 and 2021, few transmission projects required a time- and labor-intensive environmental impact statement. The real problems have to do with the authority to site transmission lines (which mostly remains at the state and local level, rather than with the federal government) and the bad incentives that shape the behavior of private transmission owners. Private management of the grid thwarts construction of lines that threaten the profits of investor-owned utilities and prevents timely connection of new generation facilities. In Kings County, California, solar projects that completed environmental review in a few months were stuck in the interconnection queue for an average of more than two years.

The excess procedure story is even less applicable to nuclear power. Setting aside public opposition, Klein and Thompson charge that the struggle to expand nuclear power in the United States “is not a failure of the private market to responsibly bear risk but of the federal government to properly weigh risk.” In reality, federal law has capped the legal liability of nuclear plant operators in the event of accidents since 1957. The problems of the nuclear power industry in the United States lie elsewhere. Its history is one of massive construction delays, cost overruns, and poor operational performance. While plant performance has greatly improved in recent years, frequent outages, high costs of operation, and the growth of cheaper alternatives have led to the closure of many nuclear plants. Rather than being “too cheap to meter,” as some nuclear proponents predicted in the 1950s, nuclear power has often proved too expensive and unreliable to keep in service.

For a case in point, consider the newest nuclear generation facilities in the United States: units 3 and 4 at Georgia Power’s Plant Vogtle on the Savannah River. These

units came online in 2023 and 2024, respectively—seven years late and tens of billions of dollars over initial cost estimates. Both the federal and state governments eagerly supported the project, and environmental reviews were completed in 2008 and 2011. But the contractors on the project (including Westinghouse) faced persistent problems finding workers with specialized skills, as well as materials, to build the plant. The project developers overpromised and consistently failed to deliver.

Similar problems afflicted the V.C. Summer nuclear project near Columbia, South Carolina, which would have added two units at an existing plant. The construction program was such a disaster that the two owners, private SCE&G and public Santee Cooper, abandoned the project in 2017 while at the same time securing legislative approval for recovering project costs from South Carolina customers. The old utility regulation principle of ratepayers paying only for “used and useful” capital investments is too often honored more in the breach than in observance.

Industry insiders, for their part, flatly contradict Klein and Thompson’s assertion that the federal government is to blame. “The problem isn’t the commitment of governments; it is the performance of the industry,” Gregory Jaczko, the former chairman of the Nuclear Regulatory Commission, said last year. “We could ‘solve’ all ‘regulatory and permitting’ issues for nuclear tomorrow and not one new plant would get ordered or built,” Jigar Shah, a top official in Biden’s Department of Energy, tweeted in February.

This is the blind spot running through all of *Abundance*’s anecdotes: the limits of the private sector. The primary conceit is that in many areas, the private sector is ready to invest—and to invest big—if politicians would only lift public barriers standing in their way. There is little evidence that is true. In reality, corporate executives and managers make investment decisions based on expected profits. Even when zoning restrictions are favorable, developers evaluate a range of investment options before committing to construction. They are looking not only for positive returns but for *higher* returns than alternative options. Homebuilders, in particular, will not build unless they have reason to think they can achieve sufficiently high profits—those that outperform land banking, speculation, or other forms of investment. The

much-touted housing boom in Austin is a case in point: after a few years of above-average building activity led to modest rent reductions, residential developers reduced construction substantially. The burst of construction made only a small dent in the dramatic increase in rents since 2010.

The same is true when it comes to renewable energy. In his recent book *The Price Is Wrong*, Brett Christophers shows that insufficient expected profits are a principal barrier to investment in solar and wind projects. Developers and lenders alike are reluctant to pursue and finance such projects unless they will deliver substantial and stable profits and are more attractive than other investment choices.

In addition to neglecting the central role of profit expectations in investment decisions, Klein and Thompson have nothing to say about the short-term orientation of today's large shareholder-dominated corporations. In general, shareholders withdraw far more capital from businesses than they invest, and they often demand massive dividends and stock buybacks and acquisitions in lieu of capital expenditures, let alone higher wages for workers. Given that CEO compensation is often tied to their company's stock price, top executives have little incentive to defy shareholder demands for cash.

Along with the state-guided enterprises of China, Klein and Thompson's preferred corporate model is the AT&T of midcentury—a highly innovative enterprise credited with developing technologies like the laser, photovoltaic cell, and transistor. They attribute AT&T's long-term orientation and accomplishments to its status as a secure, government-protected monopoly. If that AT&T existed today, large shareholders would balk at risky, long-term investment in speculative engineering and scientific projects. Indeed, this is what happened when a durable monopoly of our era tried to replicate the AT&T success. In 2010 Google set up Google X for an elite group of employees to pursue long-term projects, but by 2015 Chief Financial Officer Ruth Porat imposed a more short-term, cautious orientation on the venture as part of a broader effort to reduce costs and disburse more cash to shareholders. In the words of economist William Lazonick, whereas AT&T represented the American corporation practicing “retain and reinvest,” Google is closer to the prevailing norm of “downsize and distribute.”

“The problem isn’t the commitment of governments; it is the performance of the industry,” the former chairman of the Nuclear Regulatory Commission said last year.

The government could do a lot to change corporate behavior – by banning stock buybacks, for example, or requiring firms to give workers and consumers board representation. Yet except for a passing mention of stronger labor laws in the book’s introduction, Klein and Thompson say nothing about the public regulation of corporations. What about the risk of collusion and other unfair business practices? As federal and state lawsuits allege, software company RealPage has enabled landlords across the nation to collude and prioritize higher rents over occupancy, boosting collective profits while keeping more units empty. And where does sectoral regulation fit in the *Abundance* vision? Public agencies have closely regulated the electric power sector for more than a century and helped make affordable electricity universal in the United States. These questions are central to effective regulatory design, and thus to any real abundance program, but Klein and Thompson are silent about them.

Abundance thus makes a very weak case for the supposed benefits of relaxing public governance. But it also misrepresents deregulation’s obvious costs and regulation’s clear benefits. Klein and Thompson acknowledge that federal environmental laws have been enormously successful in cleaning up the air, water, and land of the United States. (An EPA study found that the Clean Air Act Amendments of 1990 produced public health and welfare benefits, including preventing hundreds of thousands deaths annually, that exceeded the costs of compliance by a factor of 30 to 1.) But they suggest zoning and environmental review have outlived their justification.

This narrative rests on an imagined past of unfettered discretion for property owners. “In the 1800s, no American city had zoning rules,” Klein and Thompson write. But public control of land use is hardly a twentieth-century phenomenon; it is rooted in the centuries-old common law of nuisance. A fundamental tenet of

property law is that landowners cannot exercise their dominion in a way that injures others. Understood in this light, zoning and environmental review are statutory descendants of nuisance law. The difference is that they replace a judicial and remedial approach to the problem with an administrative and preventative one.

That is exactly why Klein and Thompson should look less harshly on them. The authors compare court-centric governance in the United States unfavorably with administrative governance in other nations. “Decisions that are often made by bureaucracies in other countries are made by judges in our country,” they observe. They are correct that administrative decision-making is generally superior to judicial supremacy, both on public accountability and expertise grounds. But the practical effect of abandoning administrative zoning and environmental review in the United States would be to cede even greater power to judges. In the words of Christopher Serkin, “the ad hoc character of piecemeal nuisance litigation creates risk and uncertainty and enormous costs to the entire system.”

While zoning rules are unduly restrictive in many affluent suburbs, they are often far too weak elsewhere. Many poor people, especially poor people of color, live in proximity to polluting facilities like oil refineries and power plants and bear disproportionate harms of polluted air and water, including higher incidences of asthma, cancer, and premature death. The Mississippi River corridor in Louisiana illustrates this problem: lined with oil refineries and petrochemical plants, it is dubbed Cancer Alley for the facilities’ adverse effects on residents’ health. Stronger zoning rules that separated such activities from residential areas would yield significant public health benefits.

Klein and Thompson say nothing at all about such issues – they simply write these impacts out of the story. In a notable passage, they credit Congress for exempting some new chip fabrication plants from NEPA review. What they don’t say is that these facilities are highly polluting, contaminating air and groundwater. They were once concentrated in Santa Clara County, helping to make it the county with the most Superfund sites in the nation. There are obvious benefits to studying social and environmental impacts in advance and designing and siting industrial facilities with

an eye toward minimizing them. Any serious public policy discussion must contend with tradeoffs – but Klein and Thompson see nothing but costs.

In all these ways, *Abundance* misrepresents the costs and benefits of regulation. But it also misrepresents the political obstacles to abundant housing and abundant clean energy.

For the most part, that is because the book has little concrete political vision at all. Klein and Thompson repeatedly say that “we” are all in this together, depicting Americans as a monolith. It’s clear enough why they write this way: they hope to recruit people to the cause. But good missionary rhetoric makes for bad analysis.

The one notable exception to the book’s false universalism is its unstinting criticism of liberal, upper middle-class professionals – especially lawyers. This class is essentially opposed to growth, Klein and Thompson contend: it insists on larding process on top of process to thwart development, whether in the name of historic preservation, environmental protection, or simply in order to protect home values. The authors stress that it’s not “the mother working two jobs” but the affluent who show up at local planning meetings to express opposition to new construction. And they take progressive professionals to task for missing “the contribution that liberal governance” – again, they mean excessive zoning – “made to the rise of Trumpism.”

The authors are right that liberal failures contributed to Trump’s rise, though those failures have much more to do with repudiating New Deal politics than with opposition to zoning reform. (More on that in the next section.) But by focusing its ire on this group – to the exclusion of other political villains – *Abundance* occludes where the most important fault lines in American society lie. We could not be further from the story of Thomas Piketty’s *Capital in the Twenty-First Century*, with its clear portrait of patrimonial capitalists and lavishly compensated executives thriving at the expense of everyone else – as it happens, the same story that Bernie Sanders and Alexandria Ocasio-Cortez are telling as they travel the nation on their “Fighting Oligarchy” tour, which has turned out tens of thousands of people in places like Tucson, Arizona.

It's not insignificant that Klein and Thompson's attacks echo the Trumpist agenda they disclaim. The affluent undoubtedly have more time and resources to spend advocating for their interests than the poor. But instead of calling for steeper progressive taxation and anti-monopoly policies that would rein in the power of the affluent, Klein and Thompson focus single-mindedly on red tape. Instead of calling for expanded state capacity to expedite environmental reviews (as they do for some government projects, like California's High-Speed Rail Authority), they suggest we should ditch environmental review entirely. And instead of making the case for strengthening and broadening democratic participation in land use policy, they imply we should simply jettison it altogether. They do not call for these things explicitly. But their simplistic morality tales invite these conclusions, and the authors do nothing to guard against them.

The authors say “we” are all in this together, depicting Americans as a monolith—and obscuring where the most important fault lines really lie.

This vision is undemocratic in both form and function. Diminishing public power over land use decisions means greater private control, which in turn means more deference to the whims of the market and more discretion for corporate executives and financiers—in short, more oligarchy. That is exactly what Trump and Elon Musk are hoping to achieve by taking the chainsaw to federal agencies, and that is why, as Republican pollster Patrick Ruffini puts it, they are “hitting the professional-managerial class—and hitting them hard.” These points of overlap with Trump's agenda also matter politically. Whatever one thinks of the merits of their policy proposals, Klein and Thompson present no evidence that Democrats—including the liberal professionals they condemn—will be energized by their anti-bureaucracy platform in the face of Trump's destructive attacks on government. Perhaps the authors believe that steep partisan polarization, along with growing disgust at Trump, give Democrats a rare agenda-setting opportunity to declare war on the liberal PMC—an integral part of its base—without suffering at the ballot box. But if so, they do not argue the point.

The book echoes today's oligarchy in another way, too: its embrace of Silicon Valley's vision for America. Klein and Thompson gush about AI's potential and want the United States to play a leading role in directing its development. Similarly, their transportation future says more about self-driving electric vehicles than about mass public transit. This is not the utopianism of Edward Bellamy or the Knights of Labor, but the familiar futurism of tech oligarchs.

To achieve it, Klein and Thompson do call on government to support research and development in the private sector—implicitly acknowledging that the corporate and public interest are not always aligned, and that markets, as presently constituted, won't deliver abundance on their own. But they are wary of how many conditions are placed on this fiscal support. "One problem liberals are facing at every level where they govern is that they often add too many goals to a single project," they write. "When the government adds the right number of goals, standards, and rules, much can be accomplished. When it adds too many, the project can collapse under its own weight." This "everything-bagel liberalism" is inhibiting development by making it too hard or too expensive to follow through.

There are real tradeoffs here—the authors are right about that, though in a trivial way. Too many conditions on public financing can certainly be counterproductive. But this is little more than a tautology. Simply being told that excessive conditions are excessive doesn't answer any of the hard questions; the real issue is how best to advance the public good in any particular case. Rather than propose surgical excisions or offer guidance about how to balance different aims, Klein and Thompson cast doubt on a broad range of public demands, from prevailing wage laws to green design standards, child care requirements for chips factories, and mandates for special air filtration systems for apartments located near highways.

The authors do not go so far as to insist that any one of these conditions should generally be given up. But because the book fails to give reasons for ever attaching any of these conditions to an actual project, readers are left with the impression that we might as well dispense with all of them. Never mind that prevailing wage requirements have been a foundation of federal contracting policy for nearly a century and worked harmoniously with the developmentalism of the 1930s, '40s,

and '50s. Or that building energy-inefficient structures in an age of accelerating climate change is penny wise and pound foolish for society. Or that clean indoor air should not be a luxury in a society as wealthy as the United States in 2025. The final example is revealing: the paeans to a bountiful future in *Abundance* conceal an unacknowledged validation of scarcity.

As a result of these omissions, Klein and Thompson fail to convey the risks of overcorrecting in the opposite direction: a *plain*-bagel liberalism that simply hands money over with very few or even no conditions at all. We don't have to look very far to get a sense of how such an agenda would play out. Since the early 2010s, Musk's various ventures have been lavished with federal and state support, including low-cost credit, loan guarantees, and a variety of government contracts. Tesla and SpaceX would hardly exist if the government had not opened its coffers to them, with few if any conditions. These handouts have made Musk the wealthiest man on the planet, deepening oligarchy while providing only modest public benefits. After decades of federal support, electric vehicles accounted for only 8 percent of the total car market in 2024, and Tesla has a market share of under 5 percent. In China, by contrast, electric vehicles represented 40 percent of sales last year. Meanwhile, Tesla's precise impact on carbon emissions remains disputed — one study found that its claimed reductions are overstated by up to 49 percent — and SpaceX has largely stepped into the shoes previously filled by NASA, privatizing a once public function.

This is not a new phenomenon. In the nineteenth century, Congress awarded more than 170 million acres of land in the West — land cleared of indigenous people through mass killing and evictions by the federal government — to rail companies to construct lines from the Midwest to the West Coast. The total land grant was nearly double the area of California. The companies did build, but it was hardly a model of good development: it fueled exploitation of immigrant workers, corruption, speculation, a major financial crisis in 1873, and the rise of the robber barons.

While widely shared abundance is a worthy aim, it will require a radically different program than further delegating public decision-making to private hands. But

Americans do not have to build a program from scratch. They have a useful historical precedent: the New Deal.

Klein and Thompson credit the New Deal for its “boldness” and for cementing the idea that “the federal government must take an active role in managing the American economy and protecting workers.” They trace its bipartisan endurance through the Republican administration of Dwight Eisenhower and then briefly chronicle its demise through the administrations of Jimmy Carter, Ronald Reagan, and Bill Clinton. (Though they do not say so, Barack Obama continued this pattern among Democrats.) But remarkably, apart from citing fewer public controls on land use at the time, the book says nothing about why the New Deal was so successful, nor about the populist politics – including Franklin Roosevelt’s contempt for “economic royalists” – that undergirded it.

Consider the case of electric modernization – the delivery of abundant, low-cost power to all Americans. In the early 1930s, electricity was common in cities. Most urban households had electricity, though they did not have electricity in the sense we assume today. Working- and middle-class families had lights and a radio, but not the suite of appliances we take for granted today. As historian Ronald Tobey notes, most Americans had electrification, but not electric modernization. But in the countryside, most people did not even have basic electric service. In 1935, only about one in ten farmers had any type of electricity, including generators. A lack of electric service meant candles, no indoor plumbing, storing food in cellars, and doing laundry by hand.

The private sector failed to deliver electric modernization simply because it wasn’t profitable. Private electric utilities and their holding company owners wanted quick and easy profits. They discounted the potential for greater residential power consumption and were largely dismissive of the rural market. Private utilities did not want to spend money building lines into thinly populated areas where they believed households, farm and non-farm alike, would not use much power. They instead focused on wealthy households and large industrial customers in cities that used lots of electricity and did not cost much to serve.

FDR refused to accept this status quo and believed that electric modernization was a necessity. Two months before he was elected in 1932, he presented his vision for the power sector at a campaign stop in Portland, Oregon. He offered a program that was part conservative, part radical: stressing that private ownership should be the norm in electricity, but endorsing much stronger public control over private utilities. Even as he examined the finer points of utility cost accounting, his rhetoric was populist and combative. He condemned holding company “monstrosities” and declared “the public is beginning to understand the need for reform after the same public has been fleeced out of millions of dollars.” He further proposed large-scale power generation by federally owned and operated dams on the Colorado, Columbia, Tennessee, and St. Lawrence Rivers—the four corners of the United States. He believed public participation in the power sector could spur the private sector to do better, a philosophy he dubbed “the yardstick.”

Soon after taking office, Roosevelt worked with Congress to put the Portland program into practice. In his first 100 days, Congress established the Tennessee Valley Authority (TVA) to build and operate dams on the Tennessee River and its tributaries. The dams would control floods, promote inland navigation, and generate large quantities of low-cost electricity. While Congress ultimately did not create “little TVAs” to cover the rest of the country, it authorized public dam construction across much of the nation.

In the West, the federal Bureau of Reclamation and U.S. Army Corps of Engineers constructed dams like Bonneville and Grand Coulee on the Columbia, Fort Peck on the Missouri, and Shasta on the Sacramento. Private utilities countered that the United States, in the midst of the Great Depression, was already generating excess power, and the dams would only exacerbate the surplus. The mistake was to see consumption as largely fixed, dismissing the possibility that lower rates would stimulate much greater use. In other words, it took public action to break the hold of privately maintained scarcity and deliver abundant power.

To be sure, the national dam building program was hardly perfect. For all the benefits it produced, it carried substantial social and environmental costs—displacing tenant farmers and Native Americans, for example, and decimating fish

stocks. But the choices of private actors carry tradeoffs too. The key advantage of Roosevelt's Portland program is that it routed these decisions through public channels. If anything, its negative impacts illustrate the need for more public planning and consultation, not less.

Roosevelt and Congress also launched a major rural electrification program. Created in 1935, the Rural Electrification Administration (REA) offered low-cost credit to build power lines in the countryside. The carrot of cheap financing was not enough to get private utilities off the sidelines. (This experience should counsel against optimism about tax credits and other enticements to clean energy development today.) Instead, the REA turned to a largely untested institutional form—consumer-owned rural electric cooperatives—to build these lines.

***Abundance's* agenda is more likely to perpetuate the ugliest aspects of the United States today than to deliver utopia for everyone.**

The national rural electrification program departed from two prevailing norms today. First, Roosevelt and Congress wanted to bring modern life to the country. They understood people's connections to their communities and sought to bring development to the people, instead of nudging or compelling people to relocate to the comparatively developed cities. Second, rejecting the philosophy that something is better than nothing, the REA called for area service—cooperatives would have to serve all farms and households in their territory, not only the lucrative subset of them. The REA also helped fight "cream skimming" by private utilities, the practice of building lines to serve wealthy farmers and leaving the unprofitable remainder for cooperatives and others.

In line with the Rooseveltian vision of maintaining private ownership and shoring up regulation, Congress strengthened public control of private utilities. In the Public Utility Act of 1935, Congress established regulation of interstate wholesaling and transmission of electricity and broke up and regulated the holding companies that dominated the industry.

The New Deal program was extraordinarily successful. Most visibly, it made rural electrification a reality. Thanks to federal support, the rates of farm electrification skyrocketed in just two decades, rising from one in ten in 1935 to more than nine in ten in 1955. Americans in the countryside got electricity and modern living in the form of indoor plumbing, electric refrigeration, and washing machines that liberated women from the backbreaking work of doing laundry by hand.

Rural cooperatives did the bulk of this line extension, but the private sector stepped up once the federal government showed that rural electrification was a profitable undertaking. The REA arranged a traveling big tent exhibition that showed many uses for electricity on farms and rural homes. It also identified ways of lowering the cost of line construction. Whereas private power had estimated that building rural lines would cost between \$1,500 and \$2,000 per mile, the REA found that through simplification and standardization of line designs the work could be done for as little as \$430 per mile. The public sector led, and the private sector followed and began to recognize the profits to be made in serving rural markets. In line with Roosevelt's own vision, most Americans continued to obtain electricity from private utilities. The New Deal kept private ownership in place but dislodged it from its pride of place.

The New Deal also brought electric modernization to cities. Federal and improved state regulation lowered rates, and public competition helped too. Pressure from federal agencies like TVA as well as a credible threat of public takeovers of utilities—hundreds of cities municipalized their utilities in the '30s—forced private utilities to improve their performance. Public rivalry and stronger public control of private utilities changed their orientation: they exchanged the financial engineering of the 1920s with public service at reasonable profit. Lower rates stimulated greater domestic power consumption. Paired with federal participation in mortgage finance, national power policy brought electric modernization to all.

Abundance's poverty of vision does not counsel hopelessness. We have a proven model for achieving broadly shared abundance. The New Deal delivered it through a

combination of public investment and stronger public control of private corporations. The state spurred the private sector to adopt a longer-term social orientation in lieu of the extractive governance that had prevailed before the Depression.

That public abundance is still possible. Americans got a small taste of real “supply-side” liberalism in the American Recovery and Reinvestment Act of 2009. Through this program, EPB of Chattanooga, a municipally owned utility created in the 1930s, obtained a federal grant to build a citywide fiber optic network. The utility used these funds to deliver the nation’s first 1 gigabyte per second broadband service, helping attract tech companies and workers to the newly dubbed “Gig City.”

Replicating this success on a national scale and across a range of urgent challenges calls for a serious revival of New Deal politics, not a doubling down on the ethos of neoliberalism—however appealingly rebranded.

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Public Housing Myths: Perception, Reality, and Social Policy 1-28 (Nicholas Dagan Bloom et al., eds. 2015)

INTRODUCTION

If American urbanists and politicians share any conventional wisdom across political divides, it is the idea that public housing failed in every possible dimension. Public housing has, indeed, come a long way from the idyllic interwar images of children frolicking in landscaped courtyards, tidy brick buildings, and presentable families. These dreamy places—and the promised step forward from decaying and crowded urban slums—sent countries around the globe down the road to public housing construction (Figure I.1). Since then, however, endless portraits of derelict towers, rampant criminality, and unchecked disorder have contrasted sharply with public housing's idealistic aspirations. And if the woeful images and narratives rarely did justice to the complexity of public housing on the ground, there is no question that public housing as it exists is usually a world away from what the movement's founders had in mind (Figure I.2).

Public housing, after all, has its roots in what we would today consider utopian ideas about urban life and human nature. The huddled urban masses could be whisked away from tenements, gangs, and disease to a paradise not only of simply sanitary housing but of better living and behavior. Beyond building modern apartments for the urban working class, both in Europe and America, the state would provide excellent schools, community centers, parks and playgrounds, close supervision, and health care. Public housing was not just replacing tenements with modern housing, but replacing urban disorder with a highly regulated, socially controlled urban community: the slumless city of the Settlement House vision. However, world war, budget realities, politics, mismanagement, racism, and social conflict undermined this broad housing vision both here and abroad after World War II. The story varied by region and nation, but the early idealism often lost out to a penny-pinching focus



Figure 1.1 Jane Addams Houses, Chicago (ca. 1930s). The initial vision of public housing as achieved in Chicago. Courtesy of the Library of Congress.

on the quantity of units over their quality, racially biased urban politics, and an increasingly punitive welfare state. Given public housing's utopian birth, its subsequent and very public fall from grace was perhaps inevitable—there was, after all, a rather long way to tumble.¹

Nor did it help public housing's case that from a functional perspective public housing represents one of the more complex undertakings of twentieth-century public administration. Designing and building lovely complexes, even when it did happen, guaranteed little. Intricate financing, administrative complexity, urban poverty, and challenging daily operations combined to make public housing management notoriously difficult. The most dramatic failures engendered by these challenges (such as Pruitt-Igoe, Cabrini-Green, and Ronan Point), and the growing distance over time between utopian premise and urban reality, bolstered the powerful critique of public housing from both the left and the right. This critique not only endures but until recently completely swamped any reasonable discussion of the phenomenon known as public housing.²



Figure 1.2 After the fall from grace: the Techwood Homes awaiting redevelopment in Atlanta. Courtesy of the Library of Congress.

The range of public housing programs and motives is rarely acknowledged outside specialist circles. It is true that most traditional public housing programs, by design, funnel government funds and powers into low-cost housing for construction, renovation, and long-term operations, but there has always existed a strong private dimension to public housing, including private-sector contracting to build, maintain, and renovate public housing projects. In Europe, in particular, nonprofit managers and social housing companies have played leading roles in building and operating public housing projects for over a century. In Singapore, the vast majority of residents even have the opportunity to purchase their units. Motives have also varied greatly, despite the widespread view that public housing is always a liberal or socialist program. The pressure for public housing programs in the United States, for instance,

INTRODUCTION

frequently came as much from private downtown business interests, who viewed public housing as a tool for clearing poor neighborhoods, as it did from liberal idealists. Singapore's leaders, and those in China today, view public housing as a key element of economic modernization as much as a humanitarian program. Public housing, then, includes a range of institutions, actors, and aims, depending upon a particular context.

Public housing comes in more flavors than stereotypes suggest. Popular and academic attention has focused on high-rise projects in big cities, but the majority of what remains of the nation's traditional public housing (approximately 1.1 million of an original 1.4 million units) consists of low-rise complexes (including single-family homes) in small towns and cities. This smaller scale approach, in fact, predominates among the country's three thousand housing authorities. European and Asian cities, despite a few high-profile disasters, have constructed and maintained millions of low-, medium-, and high-rise public housing units. In fact, many European governments have invested heavily to renovate or reconfigure large-scale social housing projects while keeping the original residents on site. Generalizing about public housing's essential nature from Pruitt-Igoe or Ronan Point fails to capture the design diversity—and the varying quality of life over time—in such a widely distributed phenomenon.

The racial composition of public housing has been and is today also more complex than widely believed. While it is true that in the United States racial and ethnic minorities have formed the disproportionate majority of public housing residents for the last several decades, it is also the case that many housing authorities, including that of New York City, created public housing projects for a majority white tenancy. Many of these white projects subsequently tipped to minority occupancy because whites enjoyed access to subsidies for single-family homes in the emerging, racially restricted suburbs. In Europe, too, non-white immigrants also populate a sizable share of European social housing units despite public housing's roots in social democratic policies targeted at white Europeans. On the other hand, Europe's public housing continues to shelter millions of native-born white Europeans—not only that continent's “new minorities”—despite media portrayals. Likewise, in diverse cities such as New York, San Francisco, and London, the broad range of ethnic minorities calling public housing home belies popular notions of the projects as a program only for African Americans and Latinos. In Asia, too, race is not a factor in public housing in the same ways. Singapore, for instance, employs

strict ethnic quotas in each of its projects, thereby ensuring a substantial Chinese ethnic majority in every complex. To say that public housing is minority housing by its nature is not consonant from a global or historical perspective.

These widespread misconceptions about the true nature of public housing make the subject of public housing ripe for myth busting. Since 2000, even while many American and European public housing towers have been pulled down, and even as the reputation of public housing programs sank to new lows, historians and social scientists have quietly imploded the conventional wisdom about public housing. Addressing a range of large- and mid-sized cities, including New York, Chicago, Boston, Baltimore, and St. Louis, and identifying overlooked but crucially important themes ranging from management to tenant activism, these fresh perspectives and unexpected findings have given public housing studies a new life. At the same time, a wealth of overseas scholarship—less familiar to American audiences—has emerged that charts public housing’s complex fate in several European and Asian contexts.

We are learning a lot more, for instance, about the instances in which public housing partly realized the goals of its early twentieth-century inventors through case studies that have largely been ignored by most public housing scholars. Northern Europe, Singapore, Hong Kong, many small towns, and even New York City, for example, all gave rise to decently managed public housing systems that may not be utopian but have adequately sheltered hundreds of thousands, even millions, of low-income tenants in modern apartments for decades. These communities are often rougher around the edges or more institutional than the dreamers of the interwar period had in mind—and they often throw off genteel observers today—but many publicly constructed developments convey a genuine community feeling and a quality of life that compares favorably with conditions found in urban tenements both past and present. These communities also provide needed low-rent (or low-cost ownership) housing in very expensive cities.

We also know that the real problems in even the most troubled projects can never be explained by a single causal factor. Tall buildings, superblock urban forms, or welfare concentration—factors usually blamed for all problems in public housing—constitute just part of an intertwined problem, and some places have many of these “problems” without ever becoming wholly problematic. The new scholarship does not naively celebrate public housing projects, public housing managers, and heroic residents. The reality of deeply troubled housing

INTRODUCTION

projects here and abroad precludes such romanticism, but the research is sufficient in depth and data to spark new questions.

The persistence of crime, poverty, and other social problems in cities such as New Orleans and Chicago—even after the elimination of most public housing projects associated with those ills—raises questions about earlier scholarship and public policy that primarily blamed housing projects for a range of urban problems in poor neighborhoods. Chicago’s aggressive Plan for Transformation has erased nearly all of its highly stigmatized family high-rise public housing projects from the city’s landscape, but this did not stop the city from becoming the murder capital of the United States in 2012, with five hundred killings in just one year. Perhaps there was more to the story than we thought. A new accounting is needed, one less weighted with utopian and ideological baggage, that can bring us closer to the truth about a complex and quite fascinating twentieth-century social experiment.³

To provoke this discussion, we have reframed the generally accepted beliefs about public housing as a series of myths. What the editors of this text mean by *myths* is that while there is much truth to public housing criticism, the hypercritical framework, like any mythology, has assumed a power far beyond the specific facts of the story. That Pruitt-Igoe failed did not, ipso facto, mean that all public housing everywhere had to (or would) go the way of that doomed place. Even the failure of multiple projects both in the United States and abroad should not be allowed to define the reputation of complex and varied government programs that still house millions of low- or moderate-income people. Nor do experts, even today, understand fully the interwoven factors that caused a project such as Pruitt-Igoe to fail. A 2011 documentary, *The Pruitt-Igoe Myth*, raises questions about the conventional wisdom surrounding the project without fixating on just one smoking gun to explain the collapse. Yet, all too often, the worst cases are allowed to become mythologized into the reigning stigmatized stereotype, even as these “worst cases” fail to be analyzed in nuanced ways.⁴

The myths that engulf public housing, like all myths, feature strong didactic elements, rooted in utopian origins and political biases that thwart rational analysis. The new housing research thus attempts to steer clear of utopian regrets but also tries to avoid reductive arguments that pit liberals against conservatives. Conservatives did not kill all public housing; liberals did not always save or even adequately defend it; tenants were not simply victims or villains; and racism was just one of many factors undermining the promise

of public housing. The finger-pointing of an earlier generation missed the real, and really interesting, stories.

The Founding Myth

The tight connection between leftist modernist planning and public housing that began in the 1920s has made it nearly impossible to look at public housing as a form of urban shelter or as kind of regular government service; rather, it has taken on a deeper meaning as an expression of an ideological movement of planning and design. Because public housing arrived on the scene freighted with utopian idealism (the belief that it could *transform* both people and places) and burdened with ready-made enemies on the right, any and all blemishes in that unrealistic narrative severely damaged the claims made by early advocates. Since the 1950s, scholars and activists from a variety of different political and occupational perspectives have justifiably focused on the failure to achieve ambitious community revitalization and improved human nature through public housing. Judged by its founding standards, public housing has often fallen short.⁵

Public housing had its initial roots in straightforward housing reform in cities such as London, Paris, Vienna, New York, and Chicago. Housing activists at first saw public housing as simply the next, logical step in housing reform (after the implementation of building regulations and zoning) on their march to the creation of a healthy and sanitary metropolis. Some housing experts disagreed vehemently with this tactic, but it was hard for many housers not to believe that “market failure” in the lower end of the housing market could only be remedied through constructive government action. Housing as a municipal service was, from their view, just like city water or public parks: a necessary public provision when market failure was obvious.

The international movement in modern housing of the 1920s and 1930s, however, along with social democratic movements in many countries (Labor in Britain, Viennese socialism, or the New Deal in the United States) added a significantly more ambitious, almost magical, notion to public housing. Housing would be the vanguard of the sanitary city, organized in such a fashion as to create healthy and happy communities of working-class inhabitants regardless of the wider social forces acting upon it. Through the provision of open spaces, community facilities, and generous social services, public housing in Europe and America in the interwar period became part of planned urban districts built with increasing self-containment.

INTRODUCTION

The distance between ideal and reality quickly surfaced. Proponents intended separation, for instance, to convey superiority over past forms of ill-conceived tenements and shacks. Isolated projects, however, also could come to signify unwanted difference, emphasizing the distance between modern forms of housing and the more comforting forms of conventional dwellings. The story of public housing might well have turned out somewhat differently if these complexes had been built from the beginning as regular urban buildings, part of the fabric of the city; much of today's newer "affordable housing" has sought to remedy this disjuncture.

In the United States, the community infrastructure and social democratic uplift of the New Deal era also frequently fell victim to bottom-line thinking in the 1940s and 1950s, even as the founding ideology still made grand claims about urban transformation. In the postwar period, public housing continued to be constructed in ever vaster modernist superblocks (and, in a few large cities, often with very tall towers), even as many of the more utopian notions such as community and health facilities disappeared from housing project grounds, victims of the new austerity. All too frequently local officials looked to public housing more as a patronage opportunity than as a program supplying decent housing for the working class—let alone a utopian community effort. Others could not resist the opportunity to hijack the program to serve the purposes of business-oriented urban renewal schemes. Such political interests often meant maintenance and even construction funds found their way into well-connected pockets.

Even more troubling, public housing both in the United States and elsewhere became a tool by which elites created the minority-free urban space real estate interests often demanded. As public housing shifted from a venue for housing carefully vetted members of the working class to a place for domiciling those so displaced (or too poor to live elsewhere), social exclusion became a leading part of public housing's agenda. Many projects and their increasingly minority or immigrant populations were left to rot. So much for utopia!¹⁶

THE AMERICAN CRITICAL PERSPECTIVE

It wasn't hard to find fault with public housing as it developed, particularly in the postwar United States. By the 1950s, the critique of public housing focused almost exclusively on the failure of the community planning ideal. Sure, the apartments at first were generally of a higher standard than the old tenements, but could they really be enjoyed in peace? The urban activist Jane

Jacobs castigated tower-in-the-park planned districts not only for failing to generate community but also because they destroyed existing, functioning places under the guise of urban improvement. Jacobs had very little to say about public housing apartments as housing, perhaps because their quality was higher at the time than the standard walk-up apartments in the tenement districts she preferred (and not that far from middle-income towers at the time), but she powerfully framed high-rise tower-in-the-park communities of all kinds as perpetually corroding security and community life. Even early advocates of utopian style housing such as Catherine Bauer and Elizabeth Wood were, by the 1950s, criticizing declining design standards, social isolation, and the unhealthy role of public housing communities in urban renewal.⁷

The popular acceptance of Jacobs's design critique grew during the 1960s and 1970s amid many public housing projects' growing crime rates, declining maintenance, and spreading signs of social disorder. Very few observers were able to distinguish between the effects of planning and those of its socioeconomic context. Despite race riots and dramatic urban decline that destabilized thousands of conventional urban neighborhoods in the post-1960 period, the theme of public housing as a failed community ideal in time became a cottage industry in the work of leading architects, critics, and planners such as Oscar Newman, Peter Rowe, Richard Plunz, and Andrés Duany. Many designers and critics disavowed their loyalty to the modernist movement and its utopian goals; public housing, and particularly the high-rise tower in the park, became Exhibit A in the failure of modernist community planning and often, by extension, the social democratic welfare state.⁸

Since at least the 1960s, most planners and architects in the United States have viewed high-rise and low-rise public housing as essentially pathological and anticomunal, regardless of any value this form of housing may have as shelter or the fact that similar communities for the middle and upper classes have often been very successful. On the positive side, this rejection has encouraged design practitioners, who once subscribed religiously to the modernist canon and played such an important role in publicizing and promoting the tower-in-the-park ideal, to seek practical alternatives or creative renovation solutions. Their design experiments have, at times, resulted in more interesting financial and physical designs for public housing. In recent years, more controversially, the public housing critique has taken the form of the U.S. Department of Housing and Urban Development's HOPE VI program—an acronym now translated as Housing Opportunities for People Everywhere.

INTRODUCTION

Here, the public policy goal has entailed replacing “severely distressed” public housing with community designs that respect the urban grid and surrounding context, even if this means very few public housing tenants get to return following extensive redevelopment into mixed-income communities. The policies known as “estate rescue” in Europe have addressed many similar issues, but with far less displacement and more extensive renovation of distressed housing projects.⁹

Criticism of public housing has progressed far beyond the planning and housing circles that gave birth to the program. Public housing has been, over the past few decades, one of the few domains of social policy where the ideas of thinkers from a variety of different political perspectives converge. Although critics on the opposing sides may not agree on causes, analysts from a surprising range of political ideals agree that public housing as built has almost no redeeming features.

Conservative partisans both in the United State and Europe have consistently viewed public housing as a dramatic failure of big government policies to create either a better community or more affordable housing. Whether epitomized by anticommunist crusaders in the McCarthy era, Thatcherite efforts to sell off Britain’s council housing in the 1980s, or Howard Husock’s 2003 dissection of *America’s Trillion-Dollar Housing Mistake*, conservatives have viewed public housing as a tremendous waste of money that undermines the operation of a free market, unfairly competing with the private enterprise that could more effectively deliver affordable and better regulated housing to the urban masses. This critical perspective, sometimes cynically abetted by declining conditions connected to the withdrawal of funding introduced by conservative policies, has spawned a variety of myths, among them the widespread and erroneous notion that public housing residents are all criminals and welfare cheats; that the U.S. public sector stopped public housing provision in the 1970s as a result of programmatic failure; that all public housing projects have themselves become slums that must be destroyed; and that public housing can never be a tool of social and economic development. Nearly every myth in our collection has at one point or another been mixed into right-wing critiques of public housing.¹⁰

The academic left, which might have been expected to defend public housing because of its utopian goals and social democratic heritage, has not been much more generous. There have been a few upbeat accounts, focusing mostly on the early years when the utopian promise seemed within reach or on more

recent attempts at public housing redevelopment; still, public housing plays an important role in urban history due chiefly to its frequently poor conditions and capacity to epitomize failed and unfair urban policy in the postwar era. For most American liberal scholars, including Arnold Hirsch (*Making the Second Ghetto*) and Joel Schwartz (*The New York Approach*), public housing was too intertwined in racist and frequently incompetent urban renewal policies to ever be successful in its own right as housing or community. The European left, in a similar manner, has criticized the isolation of immigrants in vast suburban housing projects with high unemployment. The left critique of public housing, particularly in the United States, has contributed to the myths that public housing can never be decently managed, that public housing by its nature traps its tenants in poverty, and that there is no conceivable role for public housing in economic or social redevelopment. The ambivalence liberals feel for public housing has contributed to the declining political support for the American program, and led to minimal backing from the left even for dramatic efforts to reform the program through public housing redevelopment. In Europe, where the left has more political power, the results of the critique have been more complex, and often more positive, in terms of redevelopment.¹¹

Urban sociologists and some politically oriented planners have provided the most subtlety when it comes to critical perspectives, perhaps because they have been better able to separate out the various impacts of poverty and housing. Through their engaged fieldwork and sensitivity to context, they also recognize forms of community and support that go unnoticed by many middle- and upper-class observers and academics who may never venture into public housing, but still write about it frequently. At the same time, by their focus on the pathos, poverty, and crime in public housing, rather than on ordinary lives, some scholars have unwittingly contributed to myths that public housing is essentially defined by social disorder and crime.¹²

What the public thinks it knows about public housing is probably the most troubling. Reporters in the United States have developed a series of persistently demeaning and dehumanizing public housing memes and tropes. Mostly middle-class reporters find public housing as convenient shorthand for all urban poverty, government malfeasance, rampant criminality, and dependence. Overwhelmingly negative images and stories have been devoured for decades by middle- and upper-income readers. In fact, an almost Mad-Lib approach to urban reporting emerged in the twenty-first century, where simply inserting a project name and city, along with choice stereotypical images (urine-stained

INTRODUCTION

elevators, a broken window), generates a modern analog of *How the Other Half Lives* (to borrow from photojournalist Jacob Riis's 1890 publication). The same articles on public housing have been written a thousand times—although, tellingly, they have not been written about a thousand different places. At its core, public housing reportage suffers from a combination of two unfortunate factors: a disproportionate focus on a handful of highly troubled places (either nationally or within a given city) and a formulaic approach to diagnosing problems that evinces little capacity to probe underlying conditions. Edward Goetz characterized this as an “exaggerated discourse of disaster” because “media stories zeroed in on the most dysfunctional high-rise projects,” emphasizing “social pathologies such as crime, violence, family breakdown, and drugs.”¹³

Longtime *Chicago Tribune* columnist Mary Schmich pointed out that the word “notorious” became associated with Cabrini-Green so often that it was almost as if this were part of the project's official name.¹⁴ Similarly, drawing on her lengthy dissertation that dissects the representations of Cabrini-Green's visual culture, Nicola Mann lamented that, “provocative headlines, dramatic photographs and sensational imagery frame Chicago's public housing residents as non-citizens, living in a place that isn't a community.” According to Mann, most portrayals reduce “the complex political issues of economic stagnation and cuts in social spending into chaotic, ruinous narrative messages.” In so doing, projects such as Cabrini “get mythologized in late twentieth-century popular visual culture as sites that deserve to be demolished.”¹⁵ Likewise, David Fleming emphasized in a provocative essay the ways that various representations of Cabrini-Green have worked to disempower residents.¹⁶

It is possible to trace the changing media portrayal of public housing through observing the rise of key words and terms used to describe it. Most benignly, a term such as “modern” appears with relatively high frequency in the pre-World War II period and again from the 1940s and throughout the 1950s before declining. It then peaks once more in the late 1980s and early 1990s under the guise of the need for “modernization” of public housing stock suffering from deferred maintenance. Most often, as this shift suggests, newspapers have charted the language of public housing's troubles and in the process, compounded them.

Taking seriously Schmich's comment about the ubiquity of the “notorious Cabrini-Green” moniker, it is possible to graph the presence of public housing notoriety in major newspapers and to assess where Cabrini's own prob-

lems falls within this depiction. Looking only at articles from the *Chicago Tribune*, by 1974 a Chicago school could be blamed for being “in the vicinity of the notorious Cabrini-Green housing project.” In 1978, a secretary at the Department of Housing and Urban Development (HUD) optimistically opined that a “once-notorious symbol of all that is wrong with urban public housing can be saved by a special effort,” but the Cabrini-centered notoriety returned with a vengeance in the 1980s and 1990s. In 1982, “notorious Cabrini-Green” is described as the place where poor women were forced to raise their children; by 1986, it is the “city’s second-largest and, some contend, most notorious high-rise public housing development”; and the following year it is branded “the nation’s most notorious public housing project.” Press coverage of “notorious” Cabrini-Green peaked in 1992 following the senseless murder of first-grader Dantrell Davis, shot by a rooftop sniper while making the short journey from his Cabrini apartment to the elementary school located just across the street. By the late 1990s, just as the city’s Plan for Transformation geared up for massive public housing demolition, the context of Cabrini’s notoriety took a different turn: “There is probably no more startling visual representation of the turnaround in the city than the sight of the notorious public housing high-rises of Cabrini-Green backing up against new \$300,000, Lincoln Park-style rowhouses.”¹⁷

In this evolving narrative, Cabrini’s notoriety, once self-contained, first affected neighboring institutions and then, rendered anomalous by encroaching gentrification, simply became a problem to be removed. Chicago’s flagship newspaper frequently used the word “notorious” to describe other parts of the city’s public housing, but these pieces tended to focus mostly on the other iconic symbol of distressed housing, the Robert Taylor Homes, or else cast more general disrepute upon its neighbors along the “Chicago Wall, the most notorious public housing in the nation.”¹⁸

Looking across four major newspapers—the *Chicago Tribune*, the *Los Angeles Times*, the *New York Times*, and the *Washington Post*—the overall trajectory of “notorious public housing” is both clear and revealing (see Figure I.3). “Notorious” and “public housing” first emerge in tandem in newspaper accounts during the 1940s and 1950s, but in those years “notorious” is, not surprisingly, used to set up the contrast between modern public housing and the evils of the slums it replaced. By 1970 or so, the referent begins to shift, as “notorious” gains a new housing partner in crime. In 1981, a *New York Times* article explicitly shifted the reference, using “notorious” to describe a “public

INTRODUCTION

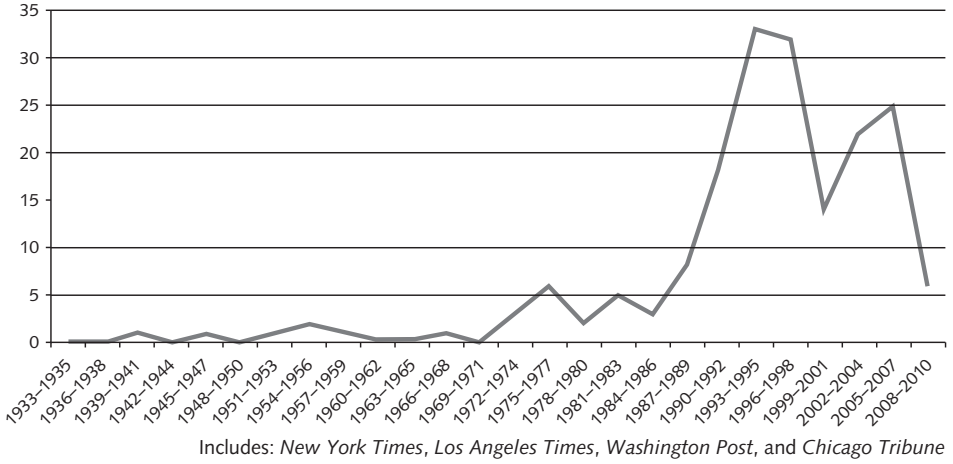


Figure I.3 Articles with “public housing” within fifty words of “notorious.”

Sources: Proquest Historical Newspapers, Proquest Archives

housing slum” in San Francisco.¹⁹ After that inflection point, the reportage of notoriety in the four papers increased during the 1980s; in the New York, Chicago, and Washington papers, it peaked between the 1990s and the early 2000s, as the HOPE VI program called attention to the demolition and redevelopment of various benighted projects. After 2007, with most of the nation’s most vilified projects removed, use of the term “notorious” to describe public housing had begun to dissipate.

In all this, however, it is striking to note that if one graphs stories from the four newspapers in a disaggregated manner (Figure I.4), the trend lines are relatively similar; the overall graph (Figure I.3), however, is greatly skewed by the markedly higher number of negative articles in the Chicago paper. And, in turn, the Chicago articles are almost invariably about a few of that city’s largest high-rise projects (all now demolished), with occasional mentions of failures in other cities, typically in New Orleans or St. Louis. In other words, the national picture of public housing negativity conveyed by four of the country’s major papers may well be distorted by a few conspicuous failures in Chicago, coupled with the dramatic initial implosion of Pruitt-Igoe and the renewed spate of destruction and rebuilding occasioned by the HOPE VI program.

New York, a city that has far more public housing than Chicago, Los Angeles, and Washington, D.C. combined, seems to have had little in public hous-

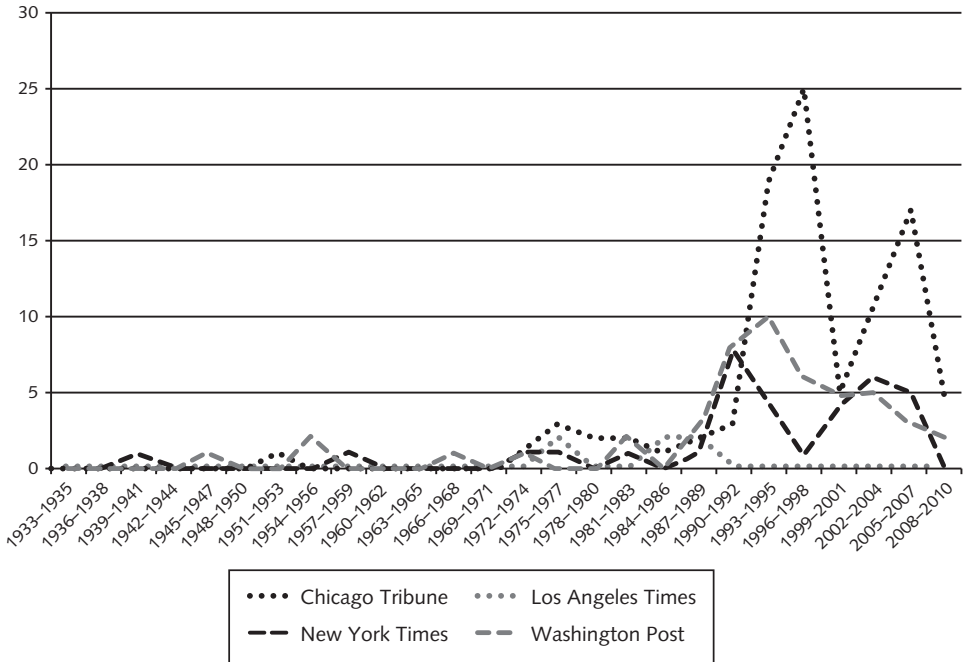


Figure 1.4 Articles with “public housing” within fifty words of “notorious.”
Sources: Proquest Historical Newspapers; Proquest Archives

ing that rose to the level of true notoriety, at least as described by the *New York Times*. With so many developments to consider, reporters tend to focus on management by the New York City Housing Authority (NYCHA)—and systemwide episodic operational shortcomings—rather than looking at one project or on project life per se. Moreover, some of that paper’s most direct coverage about public housing is about problems in Chicago, St. Louis, and elsewhere, not a more localized referendum on NYCHA. The *Washington Post*, too, emphasizes the notoriety of public housing projects in cities far afield of the District of Columbia, especially Chicago and St. Louis, much more frequently than any local failures. More remarkably, in Los Angeles—where public housing is overwhelmingly delivered in a scattered form through portable housing vouchers or in low-rise developments—it has been more than twenty years since the last time the *Los Angeles Times* used the word “notorious” to describe public housing, whether in LA or anywhere else.

INTRODUCTION

“Notorious public housing,” by definition, refers to the presence of extreme cases, but similar evidence arises from other investigations of less tendentious language about public housing in the popular press. The same four city newspapers increasingly associated public housing with “violence” or “violent” during the 1970s and 1980s, with the use of those terms peaking in the mid-1990s and declining thereafter. Likewise, public housing increasingly became associated with being “rundown” during the 1980s, though this connection also dissipated after the early 1990s. Similarly, articles associating public housing with “isolation” (or “isolated” or “isolating”) spiked in the mid-1990s and then rapidly declined.

Looking at a broader sample of newspaper coverage for the 1993–2010 period, the downward trend in the frequency of negative associations with public housing since the early 1990s is confirmed.²⁰ Associations between “public housing” and “crime/criminal” or “isolated/isolation/isolating” or “violence” each declined by approximately half between the early to middle 1990s and the end of the first decade of the 2000s (see Figures I.5–I.7). Taken together, then, there is some evidence that the overwhelming negativity about public housing in the popular press may finally be on the wane. Even so, public housing remains extremely stigmatized in the popular imagination.²¹ Beyond living in one particular housing development, residents are often described as

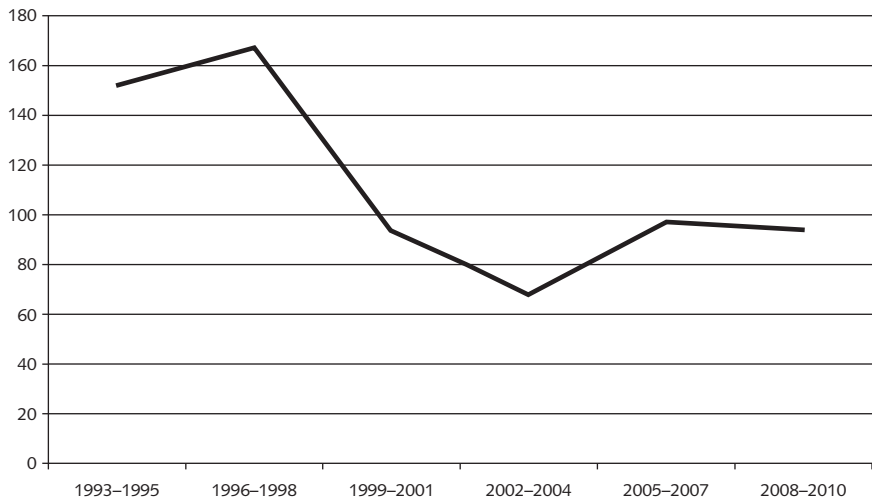


Figure I.5 “Public housing” within five words of “crime.”

Source: LexisNexis

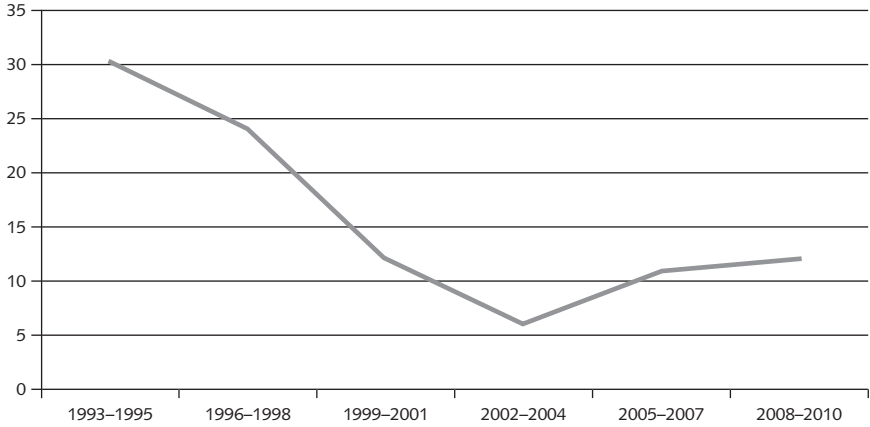


Figure I.6 “Public housing” within ten words of “isolation/isolated/isolating.”

Source: LexisNexis

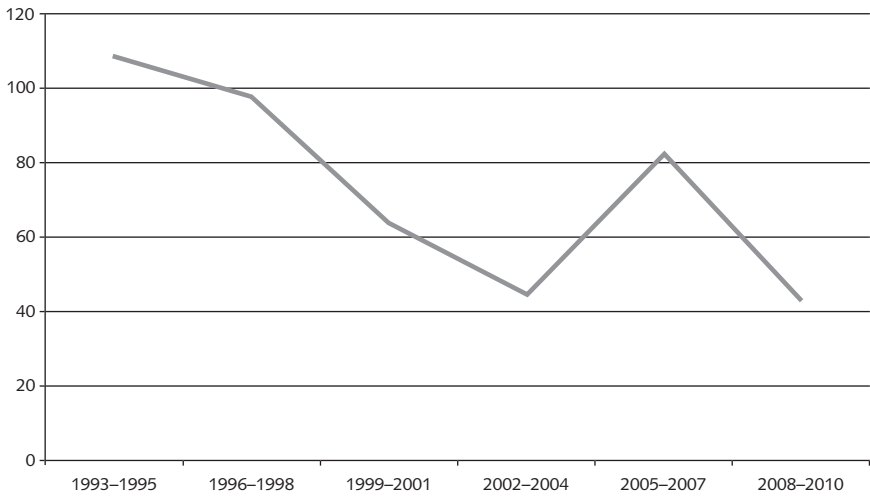


Figure I.7 “Public housing” within ten words of “violent” or “violence.”

Source: LexisNexis

living in “the projects.” In so doing, they are identified (and often self-identify) not simply with a specific neighborhood but with a type of place, one presumed to house a specific type of person. Worst of all, the term *projects* suggests not only a bounded place, like the original meaning of the word *ghetto*, but a category of place whose image to outsiders is perpetually degraded by the media

INTRODUCTION

portraits of the disasters that lurk within, both actual and latent. NYCHA, for instance, scrupulously refers to its housing projects as *developments* in an often quixotic attempt to shed the mental image associated with the word *project*.

At its worst, stereotypes, class or political bias, and sloppy reporting shape much public housing coverage. At its best, reporting on public housing has conveyed to a large audience the particular issues of public housing projects and provided an empathetic portrait of the difficulties poor people face in securing housing and finding their place in society at large. Popular media can even be marshaled to highlight community empowerment themes in the most stigmatized of places, especially prominent in Ronit Bezael's films about Cabrini-Green—both *Voices of Cabrini* (1999) and *70 Acres in Chicago: Cabrini-Green* (forthcoming), which explores the importance of festivals and community reunions.

The dominant “discourse of disaster” masks the reality that most public housing is neither high-rise nor burdened with the kind of “severe distress” that a National Commission identified with the worst 6 percent of the stock.²² As Goetz put it, “The image of public housing communities wildly out of control, with a tenant base made up of violent criminals on the one hand and passive, cowering victims on the other, does not, in fact, describe the overwhelming majority of public housing in the nation. In most cities at most times, public housing provides a better alternative than private housing in poor neighborhoods.” Even at the peak of public housing habitation, there were almost as many public housing units in single-family homes as in high-rises, and many of those high-rises have housed seniors quite well. In a country with more than three thousand local public housing authorities (80 percent of which operate fewer than five hundred units), the vast majority of localities have provided housing that “is very functional and provides an essential housing resource” for low-income residents.²³

Beyond Myths

So what does one make of all this criticism? It is true that public housing nearly everywhere failed to meet the ambitious notions that were used to sell the program in the 1930s and 1940s. So many keen observers, many with solid research methods and honest intentions, can't all be wrong. Public housing has rarely been free of urban strife, nor are most projects necessarily the kinds of places that many middle- or upper-class individuals would want to either subsidize or inhabit. Even the best research, however, often shows a lack of

nuance that parallels the naivety of the elite public housing proponents from seventy-five years earlier. Many well-intentioned critics are still in thrall to the founding myth of public housing. At some level, they still believe that the urban working classes could be transformed by providing more than shelter: a top-to-bottom process of social reorganization and physical redevelopment for a post-conflict urban order. HOPE VI-funded public housing redevelopment (which has usually involved both neo-traditional urban streetscapes and dramatically lower numbers of low-income residents living on the post-redevelopment site) has generated a new set of utopian predictions that link public housing destruction with the coming end of urban poverty and crime, despite the lack of evidence to support these strategies and outcomes.

Popular opinion rarely views public housing as simply one aspect of contemporary urban poverty—a condition that often has less to do with architecture’s power or government’s failure than with the fact that poverty and social exclusion are common occurrences around the globe. What public housing has actually delivered over time are complex forms of poor people’s urban and rural housing and community that frequently partake in whatever social, administrative, and political challenges are found in their surrounding neighborhoods and cities. Sometimes projects work well, and sometimes they do not, even in the same city or right next door. Sometimes tenants build community, and sometimes they do not. The social situation of tenants, their age ranges, the quality of the buildings’ construction, access to other resources, the state of the city and nation in which they are located, and even the generosity of social benefits each play as important a role in outcomes as the initial planning ideals.

Public housing’s most dramatic failures, indelibly captured in photographs of Pruitt-Igoe’s iconic implosion, invited scholars and pundits to craft for their audiences parable-like theoretical explanations that have become mythic. Even as the dramatic villains varied (modernist architects run amok, racist politicians emboldened by federal policy, or impractical do-gooders interfering with market forces), the narrative arc of well-intentioned plans undone by a small but influential cast of characters remained the same. Public housing, accordingly, appears to be exceptional compared to other public services (schools, hospitals, transit) that are also criticized but managed to remain valued throughout an era when public housing is being pulled down. Just as iconic high-rise towers stood apart from their neighborhoods, public housing history has rarely been woven into the larger findings, approaches, and trends of urban history—other than the familiar trope of inevitable decline.²⁴

INTRODUCTION

By contrast, the authors in this collection seek to integrate public housing history into the story of the larger urban experience by emphasizing context and contingency. Among the factors included in our essays are changes in policing, public administration, political trends, family structure, economics, demographics, and women's rights. The essays reframe conventional myths of public housing problems or failure by creating a richer political, social, and cultural narrative both in the United States and abroad. We want to know what worked, what didn't work, and why. We are also open to exploring unplanned outcomes, both good and bad. The essays in this book explore complex themes such as the effects of daily housing management and tenant selection on housing quality; public housing as a bellwether of white flight and suburban resistance to integration; the culture of struggle fostered by tenants and social workers; the need to distinguish between correlation and causation in public housing crime; and even the notion of public housing as a decent home valued by tenants. The end result is a way of looking at public housing that is distinct from the utopian and political tradition that has defined public housing history up to this point.

The problems of deindustrialization, for instance, had variable impacts on cities both here and abroad. New York, Hong Kong, and other strong market cities with activist governments and resilient economies have not only had better luck preserving public housing projects—even extraordinarily large ones—but have also succeeded in preserving and upgrading their citywide infrastructure as a whole. Cities in industrial decline or facing white flight, such as St. Louis, on the other hand, could certainly have preserved public housing had they made it a priority, but city leaders faced headwinds when marshaling sufficient resources to control social order in these new neighborhoods and, at the same time, maintain other urban services. It certainly didn't help cities like Baltimore, either, as their industry melted away. Tenants who had once formed part of the industrial army, who were supposed to be many of the tenants in the new projects, increasingly lost or never found the stability and income of employment's "honest eight." Moreover, once the Brooke Amendment (1969) linked residents' rents to their income, low incomes meant low rent receipts, making public housing maintenance that much more difficult. Long-term unemployment inevitably led to social disorder on a scale that tested government's basic capability not simply in public housing but also in neighborhoods across the city. Yet, there are examples of strong market cities, including Chicago, Paris, and London, that have had a quite mixed experience with public housing. Generalizations, our contributors find, turn out to have less salience than once thought.

Part I: Places

When analyzing public housing, it is a significant challenge to distinguish between public housing as a community and public housing as a series of buildings within an urban context. Because of the founding myth's power, the tendency of scholarship and reporting over the decades has been to treat public housing as a place removed from its social, economic, political, and neighborhood milieu. What we have been finding out, however, is that despite the goals of the early housing reformers to create islands of urban beauty and order, public housing is shaped primarily by its tenancy, management, and urban context.

The first chapter in the collection, Joseph Heathcott's "Myth #1: Public Housing Stands Alone," aims to reconnect public housing as a place to the cities in which it is located. This essay explores the ways in which the decline of public housing in St. Louis and elsewhere mirrored deteriorating metropolitan conditions more broadly. Rather than epitomizing the welfare state's allegedly poor social and physical design, as conventional wisdom holds, the failure of public housing developments like Pruitt-Igoe reflected the worsening state of many postwar cities in the American Rust Belt. St. Louis, for instance, lost hundreds of thousands of residents and most of its industrial and commercial base between the 1950s and 1980s. The collapse of public housing projects like Pruitt-Igoe had less to do with their inherent design qualities or tenancy than with the general collapse in city services and infrastructure as a result of deindustrialization. The hemorrhaging of population in the St. Louis urban center further complicated the ability of the St. Louis Housing Authority to maintain a tenant base that, from a financial or social perspective, could support and benefit from the high-cost, high-maintenance, high-rise public housing towers at Pruitt-Igoe.

The second chapter, "Myth #2: Modernist Architecture Failed Public Housing" by D. Bradford Hunt, takes on the distance between utopian notions and social reality directly. For many, architecture is to blame for public housing's downfall. Dreary modernism—especially in high-rise forms—sent a message of inferiority to public housing residents, deadened community life, and produced alien forms of living. But placing all the blame on modernist architects is unfair, according to Hunt. Architects worked within severe cost constraints due to bureaucratic imperatives and ambivalence about how well to build for the poor. Yet, the focus on architecture misses an even more important planning decision that affected numerous public housing communities around the country. In a desire to help families with children, public housing concentrated youth at historically unprecedented densities. In most communities—even in

INTRODUCTION

baby-boom suburbs in the 1950s—adults outnumbered neighborhood youth. But in public housing, youths far outnumbered adults—by more than two to one in many projects across the country. Public housing’s exceptional youth density had enormous consequences. Social order, as sociologists have explained, comes from adults policing shared community space in conjunction with authorities. Petty vandalism, youth violence, and other low-level problems require the supervision of public space by adults. But when youths far outnumber adults, social order becomes extraordinarily difficult. Hunt shows us that who lives in public housing—the design of the “unit mix”—is often more important than how public housing looks.

The third chapter in our collection, by Fritz Umbach and Alexander Gerould, also challenges a classic argument about public housing space and public security. “Myth #3: Public Housing Breeds Crime” can be traced in part to the exaggerated promises made in the early years about the potential impact of public housing on crime-ridden tenement neighborhoods. Public housing was touted as a remedy to inadequate sanitation and a cure-all for a variety of other urban ills; through the provision of quality housing and community goods, it was thought, the new neighborhoods would essentially eliminate crime. It did not take long to realize that public housing might not be the panacea for urban disorder that its original promoters envisioned. Unfortunately, the pendulum swung too far to the other side, and public housing residents were blamed for the high levels of crime in the projects. Umbach and Gerould, in their review of the different eras of public housing, found that public housing was once a safe environment, then a safe environment with a poor reputation (as a result of sloppy scholarship), and more lately, an unsafe environment that is finally receiving methodologically sophisticated crime studies. The authors demonstrate that public housing is not an essentially crime-ridden environment, even if in some cases it became that kind of environment over time.

The fourth chapter in the collection, “Myth #4: High-Rise Public Housing Is Unmanageable” by Nicholas Dagen Bloom, addresses more fallout from the early years of public housing myths. One of the central myths that helped promote public housing was the notion that new housing would reduce the costs to cities for municipal services. This new housing, according to erroneous claims, would eliminate problems such as tenement fires, disease, and general dilapidation in “slum” districts—urban regions that had imposed unwelcome and disproportionate costs upon municipalities. Because the new housing would be of such a higher quality than that which existed before, the tenants

would no doubt be transformed into respectful and well-behaved citizenry. The reality on the ground in most public housing projects was less positive, and any significant savings over the decades remains quite debatable. The fireproof buildings of public housing projects may have endured, but the lower costs in services did not necessarily materialize. One city, New York, took a far less utopian view of public housing management. New York initially built large housing projects in order to achieve economies of scale and transform the city, but the city also created a dense network of housing custodians and managers on site who were put in place not only to clean the buildings but also to maintain control over tenants. This large staff still serves housing projects that house over four hundred thousand residents across the five boroughs. And NYCHA employees continue to keep a close eye on both physical property and tenant behavior through inspections, rent collection, and daily maintenance. New York's experience demonstrates that projects of a variety of scales, heights, and tenancy can be maintained, although there may be a high financial and social price to pay for this order.

Part II: Policy

In the United States, conventional wisdom holds that public housing fails to yield proper homes even for the poor. In much of Western Europe, social housing programs of the past variably targeted a wider spectrum of citizens; however, the European model has faced increasing criticism as more of it becomes targeted to the “residual” poor. To politicians of many stripes, public housing's long march away from utopian origins to urban disorder has turned support for such developments into a dangerous proposition that threatens their own careers and even their communities. Such a belief has become key to public housing's declining role in public policy in Western Europe and the United States. Recent public policy efforts have been aimed at inhibiting the construction of more affordable housing and eliminating what has already been constructed. In the United States, for instance, over the past twenty-five years, conventional public housing projects have declined in number, but other low-income housing policies have proliferated—including the creation of Section 8 vouchers (now part of the Housing Choice Vouchers Program) that tenants can use with private landlords; the construction of privately developed and privately managed project-based assistance; and the provision of additional subsidies through Low-Income Housing Tax Credits (LIHTC) (see Figure I.8). By looking at the wider context of public housing policies both in the United

INTRODUCTION

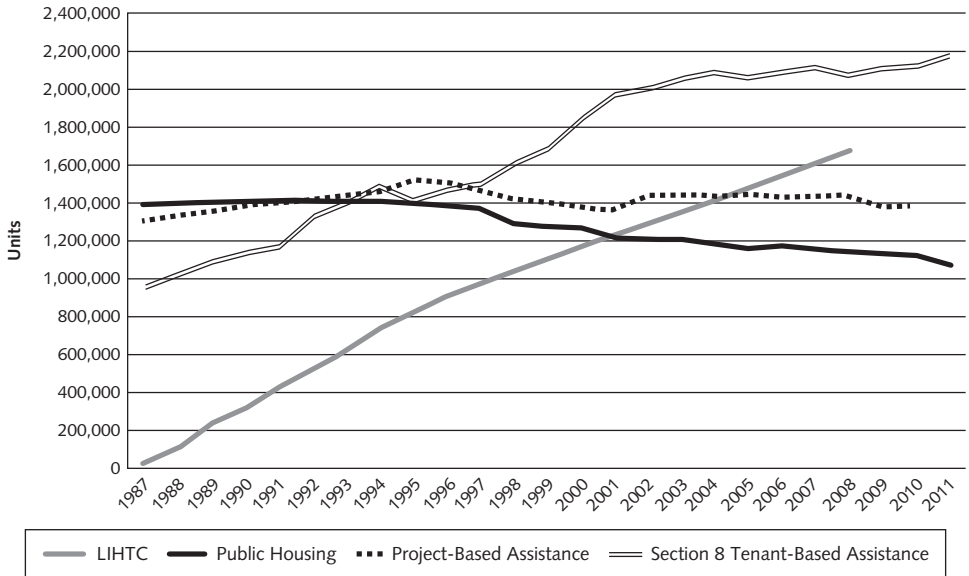


Figure 1.8 The emergent public-private housing landscape: Twenty-five years of dramatic change.

States and elsewhere, the essays in this section raise probing questions about the essential nature of public housing policy as understood in the West.

One of the abiding myths of public housing history is that public housing came to an end in direct response to its problems. According to this myth, public housing was so inflexible that it could never be made to work; realizing this, politicians rightly ended the program in the 1970s. Yonah Freemark’s chapter, “Myth #5: Public Housing Ended in Failure during the 1970s,” disputes this myth and uncovers a more complex picture. In early 1973, the Nixon administration introduced an eighteen-month moratorium on new HUD expenditures, and by mid-1974, the federal commitment to new public housing—at least in the form that had existed since the 1930s—had been substantially eliminated. The literature suggests that this change in policy was motivated by a growing national consensus that the public housing program was too expensive and so poorly performing that it should be terminated. In fact, while opposition to “conventional” public housing founded on the program’s perceived failures *did* exist in the early 1970s, these criticisms *did not* play the determining role in the administration’s policy decisions. Rather, when pub-

lic housing was put on life support, it was undergoing a period of dramatic reinvention and growth that had expanded production, brought new financing techniques into the program, and garnered the support of bureaucrats from across the political spectrum, all indicating that prior to the moratorium there was no universal agreement about public housing's failure. A better explanation for the program's downfall was an ideological effort led by the Office of Management and Budget to reduce federal investments on "indirect" social programs such as federal low-income housing in favor of revenue sharing with states and localities and a guaranteed minimum income for poor households. In other words, public housing collapsed as much because of bureaucratic infighting as from any particular failure.

The rush to bury public policy mistakes of the past has led to programs of redevelopment that are addressed in Lawrence J. Vale's chapter, "Myth #6: Mixed-Income Redevelopment Is the Only Way to Fix Failed Public Housing." Since the early 1990s, the U.S. Congress has appropriated more than \$6 billion under the HOPE VI program to facilitate the redevelopment of "severely distressed" public housing, and much of this has entailed the demolition of housing projects and their replacement with mixed-income communities. Although this has led to well over 250 redevelopment projects distributed across nearly every major city, there are four reasons why it is misguided to view mixed-income housing either as a panacea or as the only viable strategy for revitalizing distressed public housing. First, several cities have implemented successful redevelopment efforts *without* mixing incomes, both before the HOPE VI program began and under its auspices. Second, there is considerable variation from city to city in the ways that mixed-income housing has been interpreted and implemented, depending on housing market conditions and local political culture. Third, mixed-income development has been too loosely defined as a category. Finally, scholars and practitioners continue to debate the merits of mixed-income approaches: many of the assumed benefits of income mixing—such as role modeling—provide little positive impact on the lives of low-income people, whereas other aspects seem more promising, such as increased investment in neighborhoods and higher expectations for management.

The next chapter in Part II, Florian Urban's "Myth #7: Only Immigrants Still Live in European Public Housing," draws back the curtain on a widespread belief that public housing sank so low in Europe that only those with absolutely no choice would live in state-subsidized housing. The author discovered that while the marginalization of ethnic minorities is a serious problem

INTRODUCTION

in many European countries, the correlation of immigrants with public housing is rarely as clear-cut as in the suburbs of Paris. In Berlin, for example, the share of poor inhabitants with North African or Turkish ancestry was just about as high in nineteenth-century neighborhoods as in the public housing blocks of the 1960s—and in none do they constitute a majority. Urban's chapter focuses on Germany, where public housing is far more accepted among a middle-class nonimmigrant population than in the United States. In both Germany and France, the state authorities have always retained a responsibility for housing and on many occasions have renovated and upgraded their public housing estates.

Nancy Kwak's chapter, "Myth #8: Public Housing Is Only for Poor People," directly contradicts the fatalistic view of public housing in the United States and Europe. Singapore, like New York, cared less about the utopian vision than the economic benefits of state building. Kwak discusses the ways in which public housing can serve as a viable socioeconomic strategy for a developing nation such as Singapore. In that island nation, state provision jump-started the construction industry, raised living standards for the majority of citizens, and fostered greater political stability. Local leadership also created an innovative compulsory savings and homeownership program within the public housing system that helped increase domestic savings. By temporarily suspending market impact on housing price, Singaporean leaders removed most price volatility and ensured affordable shelter for the majority of its population. In this way, the Singaporean government successfully encouraged homeownership within the framework of a much more stable, state-managed public housing apparatus, even as it incentivized increased personal savings and reaped the political benefits of rising living standards. The city-state's massive public housing program was so successfully managed and executed that Singapore has since become a model for other nations—including, most prominently, China. Kwak finds that public housing can play a leading and largely positive role in urban and social development.

Part III: People

The residents of U.S. public housing have been treated shabbily in the literature for decades. The blatant fall from utopia may have conditioned the stereotype, but the switch from white to minority residency contributed enormously to the propagation of this negative vision in the media. Arguably, people of color are already at a disadvantage when it comes to media coverage, and a public housing setting adds a level of drama that is nearly irresistible. Some-

times tenants are lucky enough to be treated as victims of unfeeling administrators; other times, they are erroneously categorized as the shiftless and criminal undeserving poor. Certainly, there have been many unfeeling administrators over the years, and public housing has seen its share of criminal residents, but that's just a small part of the story. Less widely known are the stories of legions of public housing tenants who have fought for order in their communities or simply lived prosaic lives of quiet responsibility. The essays in this section address different dimensions of the fight for order. Public housing tenants may not always have exemplified the ideal that the housing reformers had in mind, but many took real action to maintain the dignity and order of these communities.

Fritz Umbach's chapter, "Myth #9: Public Housing Residents Hate the Police," tells a very different kind of story about public housing residents and crime. This essay maps the complex relationship that links tenants, management, and the police in NYCHA. Contrary to countless popular and scholarly depictions of hostility between nonwhite residents and the police as a fact of big city life, through the 1970s NYCHA tenants often embraced the officers of their separate police force, the Housing Authority Police Department, which existed from 1952 to 1992. At the same time, they applied pressure on officials to win tougher conditions of tenancy and law enforcement in their communities. Before the theory of community policing arrived in the 1980s, the practice was already alive and well in New York's public housing. From the 1950s through the 1970s, special housing authority cops (mostly black and Latino) walked their high-rise beats and worked closely with managers and NYCHA's largely minority residents to keep crime down. But this synergy did not survive the crisis years of the 1970s. Municipal labor politics and a burgeoning informal economy caused cops and residents to part ways, even as crime rates soared. NYCHA's sprawling red brick complexes were neither the dysfunctional wastelands imagined by social scientists nor the hulking ruins of failed social engineering invoked more recently by neoconservatives. Instead, "the PJs"—as residents often called their homes—served as largely unheralded sites of minority anticrime mobilization.

Public housing residents were also not the passive pawns of social policy and public housing, as Rhonda Y. Williams demonstrates in her chapter, "Myth #10: Public Housing Tenants Are Powerless." Williams shows how this myth fails to align with the experience of many residents in Baltimore. Simply because the tenants failed to save public housing should not be taken as an indicator of their complete powerlessness on the urban scene. This chapter tracks the

INTRODUCTION

ways in which public housing activism in Baltimore and other cities translated into wider political participation by women. If many see the difficulties of public housing tenancy, few recognize that it also served as an entryway into political participation for underrepresented social groups. Tenant activists—most of them women—responded to and shaped public housing conditions and legislation from the local to the federal level. In doing so, the activists often remade the parameters of Great Society antipoverty programs. Many of these public housing leaders, in turn, became part of a national movement of poor black women in the welfare and tenants' rights struggles of the late 1960s and 1970s.

Lisa Levenstein's chapter, "Myth #11: Tenants Did Not Invest in Public Housing," illustrates how black women in Philadelphia challenged the postwar city's racial and gender inequalities by seeking a variety of resources from government programs. These resources, including subsidized housing, provided them with badly needed leverage in their relations with employers and men—even as such public programs subjected their largely African American beneficiaries to intensive surveillance and public humiliation. Although poor women initially embraced the city's public housing complexes, where modern conveniences provided the trappings of a much-desired respectability, deteriorating conditions pushed the tenant activists in directions that often varied from the goals of national civil rights organizations. This analysis of public housing residents details how such women became active agents without formally participating in a traditional social movement; it counters stereotypes that have long plagued public debate about minority women, the stereotypical "welfare queen," in both public housing and poor neighborhoods generally.

True, public housing did not usher in utopia, as our contributors document. But that outcome makes the story more rather than less significant. The places, policies, and people in this collection—too-often filed together under the rough heading of "public housing and its problems"—defy the easy moral parables so beloved by the public, reporters, and many academics. Housing authorities both here and abroad have maintained many projects; housing policies and projects developed and changed for reasons other than a failure gene buried in public housing's DNA. Likewise, the residents of public housing often influenced public housing life in unexpected directions. The editors and contributors apologize in advance for replacing simple answers and stereotypes with complexity. Yet, such an important dimension of twentieth-century urban life, where millions still live, merits this detailed, evenhanded treatment.

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ISSUE BRIEF



**HOW NEW YORK'S
PUBLIC HOUSING FAILS
THE CITY'S NEW POOR**

Howard Husock

Vice President, Research and Publications

Executive Summary¹

Scarce land, rigid building rules, and a thriving economy that attracts new workers have made New York one of the world's most expensive cities in which to rent or buy a home.² Low-income New Yorkers suffer most from the lack of affordable market housing. Many cram into tiny apartments. Others seek accommodation in the city's vast public-housing system—spanning 176,066 apartments in 326 developments³ and home to one in 14 New Yorkers.⁴

Here, too, low-income city dwellers are ill-served. Average waiting times for a New York City Housing Authority (NYCHA) unit stretch to 7.5 years.⁵ Those who endure the wait face high crime,⁶ dilapidated buildings,⁷ and scant access to supermarkets and other stores.⁸

NYCHA does little to ensure that its scarce public resources are fairly shared. Despite a shortage of units, NYCHA residents can stay indefinitely. Many do: the average tenant has lived in public housing for more than 18 years.⁹ Nor do residents face pressure to leave when they rise out of poverty. More than one in ten NYCHA households have incomes greater than the New York City median (\$53,000).¹⁰

Low turnover is not the only problem. More than a quarter of NYCHA residents live in apartments so spacious that bedrooms outnumber occupants.¹¹ Meanwhile, some groups are sharply underrepresented. Asians, for instance, account for 11.1% of the city's households in poverty but make up only 4.7% of NYCHA households.¹²

To create more equitable public housing, NYCHA should, among other things, prioritize outreach to underserved communities, as well as adopt policies that encourage a higher rate of turnover, particularly among tenants whose rising incomes place them firmly in the middle class.



NYCHA’s Racial Disparities Are a Long-Standing Problem

The New York City Housing Authority, the largest public-housing authority in the U.S.,¹³ aims “to increase opportunities for low- and moderate-income New Yorkers by providing safe, affordable housing and facilitating access to social and community services.”¹⁴ NYCHA was founded and its first buildings were dedicated in 1935,¹⁵ two years before the 1937 Wagner-Steagall Act ushered in federal support for public housing.¹⁶

Today, NYCHA administers more than 16% of all public-housing units in the U.S.¹⁷ Its Queensbridge development is the largest public-housing complex in North America.¹⁸ If NYCHA’s authorized residents¹⁹ constituted a city, it would be America’s 48th most populous, larger than St. Louis, New Orleans, or Tampa.²⁰

FIGURE 1.

Percentage of NYC Households in Private Housing That Are Overcrowded

	Asian	Black	Puerto Rican	Other Hispanic	White	All Races
Foreign-born	24.3%	18.3%	N/A	27.8%	15.5%	21.7%
US-born	18.6%	12.3%	16.7%	20.1%	11.5%	13.2%
Overall	22.5%	14.5%	16.7%	25.8%	12.9%	16.7%

According to NYCHA, a residence is overcrowded if it has “more than twice as many people as the number of bedrooms (e.g., three people in one bedroom, five people in two bedrooms).” Households are classified by the race and immigration status of the head of household. We consider all ethnic Puerto Ricans to be U.S.-born because the New York City Housing and Vacancy Survey classifies Puerto Ricans as native-born Americans.

Source: “2014 New York City Housing and Vacancy Survey,” U.S. Census Bureau

Despite its vast size, NYCHA does not serve a representative cross-section of New York City’s poor. For example, 27.2% of the city’s households in poverty are white, but only 4.8% of NYCHA households are white. Likewise, 11.1% of households in poverty are Asian, but only 4.7% of NYCHA households are Asian. In contrast, blacks account for 25.8% of the city’s households in poverty but occupy 45.2% of NYCHA units. Hispanics, who account for 33.8% of households in poverty, occupy 44.7% of NYCHA units.²¹

Faced with New York’s high market rents and long waiting lists for public housing (the average NYCHA applicant must wait 90 months),²² many poor New Yorkers—especially Asians and non-Puerto Rican Hispanic immigrants²³—have little choice but to live in overcrowded private apartments (**Figure 1**). Meanwhile, 26% of NYCHA residents live in apartments so spacious that bedrooms outnumber occupants (see **Appendix, Figure 9**).²⁴

FIGURE 2.

Poverty Rates and Share of NYCHA Residents by Race, Percentage of NYC Total, 1980–2015

Year	Asian Share of Impoverished Households	Asian Share of NYCHA Households	Black Share of Impoverished Households	Black Share of NYCHA Households	Hispanic Share of Impoverished Households	Hispanic Share of NYCHA Households	White Share of Impoverished Households	White Share of NYCHA Households
1980	2.1%	n/a	27.6%	51.1%	22.7%	31.9%	47.2%	14.9%
1990	4.4%	1.9%	26.9%	43.5%	26.5%	35.6%	41.7%	18.1%
2000	7.4%	2.4%	27.5%	49.2%	28.7%	41.9%	32.7%	6.3%
2010	9.8%	6.2%	26.5%	42.3%	32.3%	42.8%	29.7%	8.0%
2015	11.1%	4.7%	25.8%	45.2%	33.8%	44.7%	27.2%	4.8%

Current Population Survey figures labeled 1980, 1990, 2000, and 2010 are derived from averages for, respectively, 1976–85, 1986–95, 1996–2005, and 2006–16. Because the Current Population Survey did not record Asian ethnicity until 1988, the 1990 Asian population in public housing is derived from a 1988–95 average. Here and throughout this paper, the ethnic labels “Asian,” “black,” and “white” exclude Hispanics. Impoverished households are defined as those with incomes less than 60% of the city median. 2015 NYCHA figures exclude Section 8 transition households (i.e., Section 8 voucher holders who haven’t yet found private housing), as well as public-housing households in developments managed by Kraus Management, Inc.

Source: Decennial Census (1980–2010 poverty and population figures); 2011–15 American Community Survey 5-Year Estimates (2015 poverty and population figures); Current Population Survey (1980–2010 public-housing figures); and 2016 NYCHA Resident Data Book (2015 public-housing figures)

Historically, NYCHA has served some types of poor households more than others. For instance, in 1980, blacks represented 27.6% of New York City households in poverty but made up 51.1% of all NYCHA households. In the same year, whites represented 47.2% of poor households but made up 14.9% of NYCHA households (**Figure 2**).

In recent years, the underrepresentation of certain groups has not improved. As Figure 2 shows, Asians accounted for 11% of New York’s impoverished population in 2015—up from 2% in 1980—but made up fewer than 5% of NYCHA residents. Blacks and Hispanics are sharply overrepresented in public housing, accounting for 25.8% and 33.8% of impoverished households, respectively, but 45.2% and 44.7% of NYCHA households.

How NYCHA Fails to Adequately Serve All Groups of Low-Income New Yorkers

Low Turnover

NYCHA is much less successful than most public-housing programs at accepting new tenants and encouraging old ones to move out. According to the U.S. Department of Housing and Urban Development (HUD), the average U.S. public-housing resident has spent 10 years in public housing; in New York City, the figure is more than 18 years.²⁵

In 2016, 13% of America’s public-housing tenants received their apartments in the previous year, compared with only 3% of NYCHA’s tenants.²⁶ Similarly, the average U.S. public-housing resident waits about two years for his apartment, compared with 7.5 years for the average NYCHA tenant.²⁷

Inefficient Use of Space

A significant amount of NYCHA’s housing stock is underused. According to HUD, 16% of U.S. public-housing residents are “over-housed” (i.e., they live in apartments with more bedrooms than occupants), compared with 26% of NYCHA residents, as previously noted. In other words, whereas nearly a quarter of privately housed foreign-born Asian households and nearly

30% of foreign-born non–Puerto Rican Hispanic households live in overcrowded private apartments (see Figure 1), a large minority of NYCHA residents live in apartments that could comfortably house more people.

Many Nonpoor Residents

Only households below the poverty line can become NYCHA residents. Yet NYCHA residents who later rise above the poverty line are not required to leave. Instead, they merely pay more rent.²⁸ In 2014, 10% of NYCHA households earned more than the city median of \$53,000 (Figure 3).

Lack of Racial Diversity

More than 90% of NYCHA households are black or Hispanic, though both groups together make up only 60% of New York households in poverty.²⁹ Some NYCHA developments are even more narrowly segregated (see Appendix, Figures 5–8). For example, 12,977 households live in 31 developments (of which 25 are in Brooklyn) that are at least 75% black.³⁰

Figure 4 shows developments by size, location, and percentage of households that are black and Hispanic. The closer a development is to the diagonal black line, the more its population is exclusively black and Hispanic; developments that touch the black line have only black and Hispanic residents. The lack of racial diversity in NYCHA developments may discourage applications from underrepresented groups, especially immigrants, who may be willing to endure overcrowded private housing in order to have a sufficiently large cultural support network.

FIGURE 3.

Percentage of NYCHA Households with Incomes Greater than \$32,000 and Incomes Greater than \$53,000

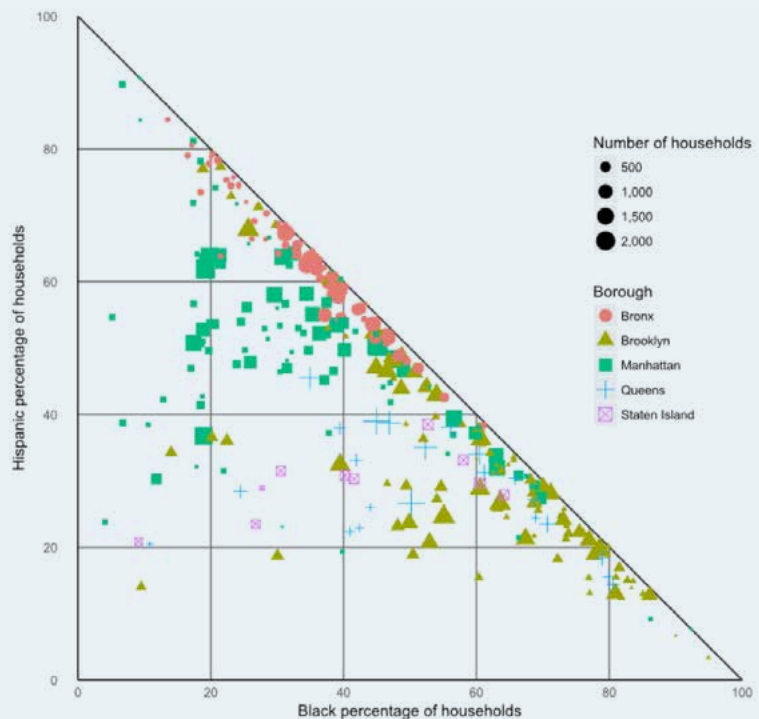
Ethnicity	Household Income > \$32,000	Household Income > \$53,000
Asian	25.9%	4.8%
Black	26.6%	9.3%
Puerto Rican	26.3%	9.1%
Other Hispanic	30.3%	15.9%
White	8.5%	3.8%
Overall	26.4%	10.1%

\$32,000 is roughly equal to 60% of the New York City median household income (\$53,000).

Source: "2014 New York City Housing and Vacancy Survey," U.S. Census Bureau

FIGURE 4.

NYCHA Developments by Size, Location, and Percentage Black and Hispanic



The NYCHA developments displayed in Figure 4 consist of all developments with their own entries in section 3 of the 2016 NYCHA Resident Data Book Summary. The exceptions are the Betances II and Betances III developments, each of which is displayed as a single development despite comprising subparts with their own entries in the Data Book.

Source: "NYCHA Resident Data Book Summary," New York City Housing Authority

Conclusion

To make public housing in New York better reflect the demographic profile of New York's poor population, NYCHA should take the following steps. First, bolster outreach efforts to underrepresented groups, such as poor whites, Asians, and non-Puerto Rican Hispanics. Second, to give all poor New Yorkers a better chance at securing public housing, encourage a higher rate of turnover by adopting the following rules:

1 | 10-year time limits.

Given the huge backlog of applicants, new NYCHA residents should not be allowed to stay in public housing longer than the U.S. average for public housing.

2 | Fixed-rent, long-term leases.

Instead of penalizing NYCHA residents for earning more income, adopting fixed-rent, long-term leases would offer residents an incentive to improve their finances, as well as save for the time when their NYCHA residency concludes.

3 | Mandatory transfers and voluntary buyouts for over-housed residents.

Transfers would downsize residents to apartments of an appropriate size. Buyouts would pay tenants to move to private housing. Residents with higher incomes might receive smaller payments; residents with deep, long-established ties to their development might receive larger payments.

Finally, it is worth noting that a long-term tenure in public housing should be considered a mixed blessing, at best. Those of moderate means who choose to pay low public-housing rents are forgoing the chance to purchase property. Faced with growing concern about the comparatively lower wealth of blacks compared with whites,³¹ one cannot ignore the fact that public housing across the U.S. is disproportionately black (45%).³² It is time to reimagine public housing as a way station—one where households can save but also strive, and one that serves the full range of those in need.

Appendix. NYCHA's Most Heavily Segregated Developments

FIGURE 5.

Most Heavily Asian NYCHA Developments

Development	Location; Community District	% Asian Households	% Asian Households in Community District
La Guardia Addition	Two Bridges, Manhattan; CD 3	70.1%	28.8%
Leavitt Street–34th Avenue	Flushing, Queens; CD 7	59.0%	46.7%
Rutgers Houses	Two Bridges, Manhattan; CD 3	54.5%*	28.8%
Lower East Side III	East Village, Manhattan; CD 3	48.2%	28.8%
45 Allen Street	Chinatown, Manhattan; CD 3	47.1%	28.8%

Excludes NYCHA developments with fewer than 50 households. All figures consider only the head of household's race. Asians make up 11.8% of New York City's heads of households. * = excludes Section 8 transition households.

Source: 2011–15 American Community Survey 5-Year Estimates and 2016 NYCHA Resident Data Book

FIGURE 6.

Most Heavily Black NYCHA Developments

Development	Location; Community District	% Black Households	% Black Households in Community District
Rutland Towers	East Flatbush, Brooklyn; CD 17	94.9%	89.4%
Randolph Houses	Central Harlem, Manhattan; CD 10	86.2%	59.9%
Brevoort Houses	Bedford-Stuyvesant, Brooklyn; CD 3	86.1%	59.9%
Tapscott Street Rehab	Brownsville, Brooklyn; CD 16	85.1%	76.4%
Park Rock Rehab	Crown Heights, Brooklyn; CD 8	83.6%	61.7%

Excludes NYCHA developments with fewer than 50 households. Community district figures consider only the head of household's race. Blacks make up 21.8% of New York City's heads of households.

Source: 2011–15 American Community Survey 5-Year Estimates and 2016 NYCHA Resident Data Book

FIGURE 7.

Most Heavily Hispanic NYCHA Developments

Development	Location; Community District	% Hispanic Households	% Hispanic Households in Community District
Fort Washington Avenue Rehab	Washington Heights, Manhattan; CD 12	89.7%	60.4%
West Tremont Avenue–Sedgwick Avenue Area	Morris Heights, Bronx; CD 5	84.5%	65.9%
Washington Heights Rehab (Groups 1 and 2)	Washington Heights, Manhattan; CD 12	81.2%	60.4%
Highbridge Rehabs (Anderson Avenue)	Highbridge, Bronx; CD 4	80.6%	60.5%
Twin Parks East (Site 9)	Tremont, Bronx; CD 6	79.3%	61.5%*

*Bronx Community Districts 3 and 6. Excludes NYCHA developments with fewer than 50 households. Community district figures consider only the head of household's race. Hispanics make up 24.9% of New York City's heads of households.

Source: 2011–15 American Community Survey 5-Year Estimates and 2016 NYCHA Resident Data Book

FIGURE 8.

Most Heavily White NYCHA Developments

Development	Location; Community District	% White Households	% White Households in Community District
Haber	Coney Island, Brooklyn; CD 13	72.8%	68.5%
New Lane Area	Shore Acres, Staten Island; CD 1	56.4%	44.8%
Williams Plaza	Williamsburg, Brooklyn; CD 1	50.7%*	64.3%
Surfside Gardens	Coney Island, Brooklyn; CD 13	47.5%	68.5%
Taylor Street–Wythe Avenue	Williamsburg, Brooklyn; CD 1	43.3%	64.3%

Excludes NYCHA developments with fewer than 50 households. Community district figures consider only the head of household's race. Whites make up 39.2% of New York City's heads of households. * = excludes Section 8 Transition households.

Source: 2011–15 American Community Survey 5-Year Estimates and 2016 NYCHA Resident Data Book

FIGURE 9.

NYCHA Households by Number of Occupants and Bedrooms, Percentage of Total

Occupants	0 bedrooms	1 bedroom	2 bedrooms	3 bedrooms	4 bedrooms	5 bedrooms	6 bedrooms
1	3.7%	17.8%	10.8%	3.2%	0.2%	0.0%	0.0%
2	0.4%	8.7%	15.2%	4.0%	0.7%	0.0%	0.0%
3	0.0%	2.4%	10.7%	4.4%	0.6%	0.2%	0.0%
4	0.0%	0.8%	3.9%	4.2%	0.5%	0.0%	0.0%
5	0.0%	0.2%	0.8%	3.3%	0.5%	0.0%	0.0%
6	0.0%	0.0%	0.2%	1.0%	0.1%	0.0%	0.0%
7	0.0%	0.0%	0.0%	0.1%	0.6%	0.2%	0.0%
8	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
9	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
10	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
11	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%

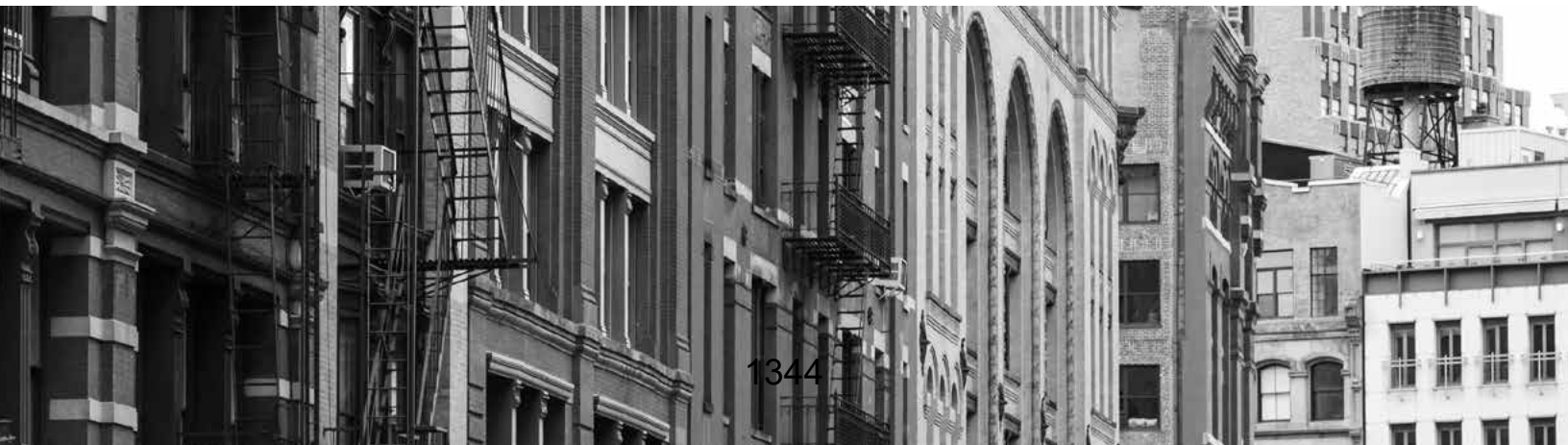
*For example, 3.2% of NYCHA households have one occupant living in a three bedroom apartment. 2.4% of NYCHA households have three occupants living in a one bedroom apartment.

Source: "2014 Housing and Vacancy Survey," U.S. Census Bureau

Endnotes

Research assistance provided by Connor Harris.

- ¹ All statistics derived from the New York City Housing and Vacancy Survey are the author's calculations. Except where otherwise noted, all statistics derived from the U.S. Census, American Community Survey, and Current Population Survey are the author's calculations from the University of Minnesota's IPUMS-CPS and IPUMS-USA databases.
- ² See, e.g., "World's Most Expensive Cities," Global Property Guide.
- ³ "NYCHA 2017 Fact Sheet," New York City Housing Authority.
- ⁴ *Ibid.*
- ⁵ "Assisted Housing: National and Local," U.S. Department of Housing and Urban Development.
- ⁶ See, e.g., Laura Dimon and Greg B. Smith, "NYCHA Residents Suffered Increase in Major Crime Last Year as City Enjoyed 4% Dip," *New York Daily News*, Jan. 4, 2017.
- ⁷ See, e.g., Barbara Huang, "NYCHA Residents Rally for Repairs, Funding," *Mott Haven Herald*, Mar. 9, 2017.
- ⁸ See, e.g., Howard Husock, "Turning Food Deserts into Oases: Why NY's Public Housing Should Encourage Commercial Development," Manhattan Institute, Oct. 25, 2016.
- ⁹ "Assisted Housing."
- ¹⁰ Author's calculations and "2014 Data Tables: New York City Housing and Vacancy Survey," U.S. Census Bureau.
- ¹¹ "Assisted Housing."
- ¹² See "NYCHA Resident Data Book Summary," New York City Housing Authority; and "American Community Survey: 2015 Data Release New and Notable," U.S. Census Bureau. In this paper, the labels "Asian," "black," and "white" exclude Hispanics.
- ¹³ NYCHA also offers "Section 8" rental vouchers that cover 86,194 units of private housing. See "NYCHA 2017 Fact Sheet," New York City Housing Authority.
- ¹⁴ "About NYCHA," New York City Housing Authority.
- ¹⁵ "NYCHA 2017 Fact Sheet."
- ¹⁶ See, e.g., "75th Anniversary of the Wagner-Steagall Housing Act of 1937," FDR Presidential Library & Museum.
- ¹⁷ According to the U.S. Department of Housing and Urban Development, there are 1,074,437 public-housing units in the U.S., of which NYCHA manages 174,484. NYCHA itself gives an even higher figure, 176,066. See "NYCHA 2017 Fact Sheet."
- ¹⁸ *Ibid.*
- ¹⁹ NYCHA's authorized residents total about 400,000, while unauthorized residents total about 200,000. See Jessica Dailey, "10 Surprising Facts About NYCHA, New York's 'Shadow City,'" *Curbed New York*, Sept. 10, 2012.
- ²⁰ "City and Town Population Totals Tables: 2010–2016," United States Census Bureau; and "NYCHA 2017 Fact Sheet."
- ²¹ "NYCHA Resident Data Book Summary."
- ²² "Assisted Housing."
- ²³ 56% of NYCHA's Hispanic households are of Puerto Rican ethnicity, though Puerto Ricans make up 34.2% of New York's Hispanic households. See "2011–15 American Community Survey 5-Year Estimates," U.S. Census Bureau; and "2014 Data Tables."
- ²⁴ This waste occurs despite a NYCHA rule that gives priority to applicants with more than two residents per bedroom. See "Tenant Selection and Assignment Plan," New York City Housing Authority, Sept. 23, 2016.
- ²⁵ "Assisted Housing." NYCHA's own figure is 21.4 years. We do not know the cause of the discrepancy. See "Special Tabulation of Resident Characteristics," NYC.gov.
- ²⁶ "Assisted Housing."
- ²⁷ *Ibid.*
- ²⁸ All NYCHA residents pay 30% of their income in rent.
- ²⁹ "Poverty Tool: Data Tool," NYC.gov.
- ³⁰ "NYCHA Resident Data Book Summary."
- ³¹ Rakesh Kochhar and Richard Fry, "Wealth Inequality Has Widened Along Racial, Ethnic Lines Since End of Great Recession," Pew Research Center, Dec. 12, 2014.
- ³² "Assisted Housing."



The Manhattan Institute Dumps on NYCHA, Again. And Fails, Again.



Peter Harrison



Last week, the Manhattan Institute, a right leaning (or right-wing, in some circles) think tank published its nearly annual attack on NYCHA. Under the guise of objective data analysis and policy proposals, it once again attempts to undermine the very idea of public housing based on ‘free-market’ principles that are better understood as anti-public ideology. As is the case with many similar right-leaning arguments (funded through think tanks by mega-donors) the MI’s argument against NYHCA collapses on basic review. Let’s look at three core points the report makes and see why they are disingenuous at best.

1. NYCHA Doesn’t Serve Enough Minority Groups

One of the core problems with MI’s positions in general is its disregard for historical context. At best it ignores racial discrimination in US policy and society; at worst, it attempts to warp it into a friendly argument.

The report claims that NYCHA is failing to properly represent the full cross-section of “new” poor residents in the city. It accurately shows that black households (26% of poor NYC households and 45% of NYCHA households) and Hispanic households (34% and 45%) are over represented in NYCHA housing compared to white households (27% and 4%) and Asian households (11% and 5%).

What it fails to mention is the larger economic and social forces that created those initial discrepancies in the first place. As white America was subsidized into the suburbs in the post-war era, black and Hispanic families were prevented from doing so while in many cases also being forced out of thriving neighbors for highway construction. Their only option for good housing for most of the middle of the 20th century was public housing (and it *was* considered good housing for the first several decades.)

(The report has a final, condescending mention of how few black Americans own homes insinuating, against all historical evidence and contemporary data, that public housing somehow *prevents* black families from purchasing homes.)

To claim that NYCHA should have a proportional quota of NYC poverty might have merit if there wasn't 70 years of racial discrimination forcing certain groups in and out of certain types of housing in and outside of the city. It's brazenly disingenuous to try to use the lack of contemporary "diversity" in NYCHA as a knock against its current management.

2. NYCHA Should Put a Limit on Residency

Another key component of MI's rhetorical strategy is to make false comparisons and misrepresent arguments altogether. The report claims that NYCHA does a poor job of rotating residents through their units compared to other public housing authorities. NYCHA's average residency is 18 years while the US average residency is 10 years. It also makes similar claims about how recently units were received/exchanged in the last year (3% NYCHA vs. 13% US) and how long the wait list is (7.5 years to 2 years.)

These data comparisons are an attempt to show that NYCHA is an outlier in terms of turnover compared to the rest of US public housing. Of course that *is* true. NYCHA is the largest and oldest system in the country, in a city with the deepest political commitment to public housing.

Not only did few cities construct the number of units built in NYC, but also many that did have already destroyed them. Many cities have limited the goals and scope of their public housing authorities and many states have

severely limited their funding (on top of the larger federal retreat over the last 30 years.)

The obvious point here is that comparing NYCHA to other public housing authorities is ridiculous and a comically inept attempt to make it look bad. When compared to other public housing authorities, if anything, it shows that a bigger commitment to public housing can make a significant difference to every city.

The more insidious point is that the report attempts to assert the premise that the core metric of success should be tenant turnover. That is not the core metric. The core metric is how affordable a unit is compared to private housing.

For all of its problems (some self-inflicted, many imposed on it) NYCHA provides affordable housing with flying colors. As of Jan 2017, the average NYCHA rent is \$509 and the average in NYC rent was \$3000.

One final point here is what is left unsaid. Many NYCHA residents are older and poorer than the average city resident. Many developers are designated for senior housing or or naturally-occurring retirement communities (NORCs). This explains the longer dwell times and lower turnover of course. But if NYCHA were to institute some draconian kick-out dates, MI comes up short on what would happen to these people.

3. NYCHA Has Too Many Non-Poor Residents

This claim represents the core dog whistle argument that the right relies on with anything to do with public institutions — there are too many “takers”. Ignoring the racial overtones of such claims, let’s look at their data.

The report claims that 10% of NYCHA households have an income above the NYC average median income of \$53,000. Out of 178,000 apartments, this percentage is somehow to be understood as way too big and a failure of NYCHA to offer housing to poorer residents. Sure, in any large system, there are bound to be some people that abuse it.

However, this percentage does not provide further context, especially considering the cost of living differences between say Manhattan (AMI: \$67,000; NYCHA units in borough: 53,000) and the Bronx (\$35,000; NYCHA units: 44,000). It is simply unlikely that these 10% of residents are living well above the means of their neighbors in and around their complexes. Not accounting for the vast differences in boroughs and the vast differences in the location of NYCHA development reduces the impact of this data point to next to nothing.

Furthermore, though the report mentions “overhousing” as a problem in terms of resource allocation, this actually ignores the larger problem MI appears unconcerned with: NYCHA likely drastically *undercounts* the number of residents. Some estimates place the true number of residents at closer to 600,000.

Many families don’t want to register family members because they have a criminal record, or because they would have too many occupants. This speaks to a harsh truth (unacknowledged by the report) that NYCHA *does*

have strict residency rules and many residents fear being evicted for violating them. It's impossible to tell, but still highly likely that these higher incomes support larger families than are being reported.

The larger truth is that NYCHA residents, despite representing a significant portion of NYC's poor households, are predominantly working poor. Only 13% of NYCHA families receive public support. Far from being "takers" these residents are providers both to their complexes, their neighborhoods, and their city.

Every year or so the Manhattan Institute attacks NYCHA, but never head on. It is always through arguments like the ones presented in this year's report — disingenuous attempts to frame aspects of NYCHA's mission or management as failures. (Last year it was crime and under investment.)

No doubt there are real and pressing problems for the day-to-day lives of NYCHA residents and the larger health of the system. But don't be lulled into thinking that the Manhattan Institute is concerned with these. MI doesn't believe in public housing and it doesn't want NYCHA to succeed or for its residents to actually get the help they need.

That would require the MI to acknowledge that despite decades of neglect, NYCHA has actually been a success story — that for all of its flaws, it is doing what it was set out to do. It would require MI to accept that the very idea of public investment, ownership, and interest is worthy of our support and worthy of federal support. Their wealthy donors don't want to hear that.

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Community Land Trusts

A Promising Tool for Expanding and Protecting Affordable Housing

By Michela Zonta June 2016



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Contents

- 1 Introduction and summary**
- 3 What is shared equity?**
- 5 Community land trusts**
- 8 Benefits of CLTs**
- 11 Challenges and recommendations for expanding the capacity and scalability of CLTs**
- 16 Conclusion**
- 17 About the author**
- 18 Endnotes**

Introduction and summary

Seven years after its onset, communities across the country are still grappling with the aftermath of the foreclosure crisis: More than 6 million homeowners are still underwater,¹ and local governments are faced with the plague of vacant and abandoned properties and the loss of assets in many neighborhoods. Furthermore, difficulty qualifying for mortgage loans has contributed to an increased demand for rental units, which has resulted in escalating rents in a market already characterized by a shortage of affordable rental housing. Housing affordability is a pervasive problem among renters and owners. About 39 million households spend more than 30 percent of their income on housing expenses and nearly 18 million are severely burdened, paying more than 50 percent.²

Housing experts have argued about whether homeownership can be considered a viable goal in light of the recent financial collapse.³ Homeownership is not without risk. Even after the deleterious outcomes of the foreclosure crisis, however, most experts tend to agree that homeownership achieved through safe and responsible lending is still central to American families' ability to build wealth, especially among lower-income families and people of color.⁴ The foreclosure crisis, the shortage of affordable housing, and the credit crunch have brought new attention to one solution that could make sustainable homeownership possible for more families: shared equity homeownership. Shared equity homeownership is a housing choice in which the benefits of home price appreciation are shared between an individual low-income buyer assisted with a subsidy and a public entity providing the subsidy. This represents an alternative to rental housing and traditional homeownership that can help low- and moderate-income families safely bridge the gap between rental housing and traditional homeownership and its rewards.⁵ The Federal Housing Finance Agency, or FHFA—which regulates the activities of the government-sponsored enterprises Fannie Mae and Freddie Mac—has recently included shared equity models in its proposed duty-to-serve rule.⁶ The FHFA points to shared equity models as an important tool for increasing access to sustainable homeownership, decreasing the likelihood of foreclosure, building wealth, and preserving affordable homeownership.

The term “shared equity” refers to a range of models of resale-restricted, owner-occupied housing. In a shared equity homeownership model, the rights, responsibilities, risks, and rewards of ownership are shared by two entities: an income-eligible family who buys a home at a below-market price and a government or nonprofit entity. The latter serves as a steward of the land and protects the affordability, quality, and security of the home long after it is purchased, even in the case of housing market declines.⁷ Deed restrictions, community land trusts, and limited equity cooperatives are the most prevalent examples of shared equity homeownership models. Besides providing a safe opportunity for lower-income families to enter the homeownership market, shared equity models ensure long-term affordability and make homeownership more sustainable.⁸ Although they are best known for keeping homes affordable in hot markets, shared equity models can also serve as a suitable element in neighborhood revitalization and stabilization strategies.⁹

After discussing the notion of shared equity and the main characteristics of predominant shared equity models, this report describes one model type in detail: the community land trust, or CLT. CLTs have the potential to challenge the conventional housing market through their emphasis on the collective ownership of land in perpetuity. This report highlights the mechanisms through which community land trusts provide and protect long-term affordable housing for lower-income families. The report then discusses the CLT model’s potentials and benefits and evaluates the important barriers that affect the capacity and scalability of CLTs. Although CLTs are still evolving and cannot be considered the sole solution to the current shortage of affordable housing, this report shows that they can be part of the solution. This report concludes with policy recommendations that could help the CLT model gain more ground by addressing the important challenges of site acquisition, funding, and mortgage financing.

What is shared equity?

The term “shared equity” has been used interchangeably with other designations: nonspeculative homeownership, permanently affordable homeownership, third-sector housing, and nonmarket models of homeownership.¹⁰ Shared equity homeownership comprises a range of programs of resale-restricted, owner-occupied housing that are designed to provide initial and long-term affordability while promoting successful homeownership. In these programs, a nonprofit or government entity provides a subsidy to lower the purchase price of a housing unit for a low- or moderate-income buyer. In return for the subsidy, the homebuyer agrees to share any home price appreciation at the time of resale with the entity providing the subsidy.

Shared equity programs subsidize the housing stock by keeping it affordable for subsequent home purchasers. The initial subsidy reduces the purchase price of the housing unit to an affordable level. The subsidy is then retained in the home over time through resale restrictions that require the property to be sold for an affordable price to qualifying homebuyers, thus preserving the value of the public subsidy and ensuring that the homes remain affordable to future lower-income purchasers. Resale restrictions are enforced through deed covenants, ground leases, or shareholder agreements; these mechanisms limit the price homeowners set and the equity they receive when they sell the property. This process usually allows homeowners to recoup their original down payment plus at least part of the appreciation. Resale restrictions are typically monitored and enforced by a steward, which can be an arm of government, a community development corporation, or some other nonprofit organization.

By locking initial public subsidies into the properties and imposing limits on resale prices, shared equity programs do more than create a portfolio of homes that can be purchased by additional lower-income homebuyers in the future, even when the prices of other homes in the same community rise substantially. The programs also expand the number of people who are able to purchase homes with a fixed subsidy, eliminating the need to provide new subsidies each time a property is

sold.¹¹ This contrasts with other public programs that provide individual homebuyers grants and forgivable loans for down payments and closing costs, allowing homeowners to keep these subsidies and the entire equity of the property when they sell.¹² In those programs, properties are usually sold at market price, and affordability is lost unless the new buyer qualifies for assistance.

Deed restrictions, community land trusts, and limited equity cooperatives are the most prevalent examples of shared equity homeownership.¹³ Deed restrictions—and, to some extent, CLTs—have been adopted by a growing number of local governments, housing agencies, and nonprofit organizations, particularly as elements of inclusionary housing programs.¹⁴ These models are typically publicly funded through upfront direct subsidies, zoning incentives, or public and private donations.¹⁵ Because of its emphasis on the collective ownership of the land in perpetuity, the CLT represents a very promising tool to develop and protect affordable housing while challenging the conventional housing market. It is to the CLT model that this report now turns.

Prevalent shared equity models

Deed-restricted homes: Typically, deed-restricted housing involves resale-restricted homes that are developed through local mandates or initiatives, such as inclusionary zoning. Affordability is achieved through a restrictive covenant that is added to a property's deed or mortgage. Covenants specify that future home sales will be set at prices affordable to qualifying buyers, and they typically remain valid for 10 years to 99 years, most commonly 30 years. The duration can be renewable at the time of resale, allowing properties to be permanently affordable. These agreements need to be actively monitored by an entity with an interest in maintaining ongoing affordability, as with a community land trust. Deed restrictions are by far the most widespread form of shared equity.

Community land trusts: CLTs are nonprofit organizations that acquire and manage land upon which affordable homes can be developed. CLTs sell these homes to low- and moderate-income families at below-market rates but retain ownership of the land. Home buyers lease the land from CLTs for a nominal fee. In exchange for purchasing a CLT property at an affordable price, buyers agree to resell at a price that is affordable for future low-income owners. Resale price restrictions are enforced through a 99-year ground lease.

Limited equity cooperatives, or LECs: In LEC models, the real estate is owned collectively by a corporation of low- and moderate-income residents rather than the individual residents; individual residents own a share in the corporation. When LEC owners sell their shares, they transfer the right to live in the cooperative to new buyers. In an LEC, there are limits on the share price to ensure that it remains affordable to future low- and moderate-income buyers. The shareholder agreement, signed by all residents, further stipulates and specifies resale restrictions. LECs are used predominantly with apartments and other multifamily developments.

Community land trusts

A CLT is a nonprofit community-based organization that acquires land within a specified geographic area, removing it from the speculative real estate market by retaining ownership of the land in perpetuity. It then leases the land to homeowners or other entities that own the buildings developed on the land,¹⁶ including cooperative housing corporations; nonprofit developers of rental housing; and other nonprofit, governmental, or for-profit entities.

The CLT model emerged in the United States during the civil rights movement as an effort to create long-term economic and residential independence for African Americans in the rural South. New Communities Inc., the first CLT, was established in 1969 near Leesburg, Georgia. The few CLTs established in the next two decades emerged predominantly from the grassroots activities of local community organizers. Their inspiration was the Gramdan movement in India and kibbutz cooperatives in Israel, which built community on a small scale through neighborhood engagement and the ownership and stewardship of land.¹⁷

It was not until the 1990s, however, that the movement started to proliferate. In the past two decades, CLTs have gained broader attention as a model for providing permanent affordable housing to low-income homebuyers. Today, there are about 220 active community land trusts in the United States.¹⁸ New York, California, Massachusetts, and Washington feature the largest concentrations of CLTs.¹⁹ No CLTs exist yet, however, in Arkansas, Indiana, Nebraska, Oklahoma, or West Virginia. Limited data are currently available on CLTs, although it is estimated that between 10,000 and 15,000 homeownership units and close to 20,000 rental units are located upon CLT-held land.²⁰ Champlain Housing Trust in Burlington, Vermont, with 565 homeownership and 2,200 rental units, represents the largest CLT in the country.²¹

There is variation in the ways CLTs are established, structured, and governed. Sometimes CLTs are established as successors, affiliates, or components of other housing or community development corporations. Membership in the CLT is generally open to anyone who leases land from the CLT and to anyone

who resides within the geographic area that the CLT serves. The classic CLT is governed by a tripartite board of directors consisting of one-third leaseholders, one-third residents living in the organization's service area, and one-third public officials and other stakeholders. The tripartite composition of the board ensures the balanced governance of the organization and that all interests are heard, but no single interest is predominant.²²

CLTs acquire land through a variety of channels. They may receive a land donation from a government entity or private donor. Often, they purchase land at market price with funds given from public sources or donated or loaned from private sources, such as foundations, individual philanthropists, or financial institutions.²³ Less frequently, CLTs receive municipally mandated donations from private developers in the form of land or buildings in exchange for concessions²⁴ or density bonuses granted by local governments or in compliance with inclusionary zoning ordinances. In the past decade, CLTs have received the greatest project support from the Community Development Block Grant program and the HOME Investment Partnership Program, or HOME.

Once the land is acquired, it is used for the development of affordable housing. Alternatively, CLTs may acquire land with existing viable housing or with housing in need of renovation. In some cases, CLTs develop or redevelop affordable homes; in other cases, they work with development partners. CLTs also may develop rental housing, commercial buildings, agriculture, and community facilities on CLT land to further enhance their target areas.²⁵

The CLT and a qualifying low- or moderate-income homeowner typically agree to the terms of a long-term ground lease—usually 99 years—through which the CLT leases the land underneath the home for a nominal fee.²⁶ The ground lease delineates the rights and responsibilities of both parties and specifies a resale formula intended to protect housing affordability in perpetuity by balancing the interests of present homeowners with the goals of the CLT to provide affordable housing for future homeowners.²⁷ The resale formula typically specifies a resale price that preserves the same level of affordability as the initial property price did, gives sellers a fair return on their investment, and grants buyers fair access to an affordable home.²⁸

Resale formulas

There are two options available to CLT homeowners who want to move: sell the home directly to an income-qualified buyer or sell it back to the CLT. If the house has retained or increased its value, the CLT homeowners recoup all of their initial equity—the down payment plus the mortgage paid—as well as a portion of the appreciated value of the home. The sale price for the house is determined using a resale formula that is outlined in the ground lease. That formula varies from one CLT to another, but there are three common ones:²⁹

- 1. Appraisal-based formula:** This formula ties the affordable resale price to the change in the market value of the property. The seller receives the original price plus a specified percentage of any increase in the appraised value. The increase in market value is measured by market appraisals at the time of initial purchase and the time of resale. The most common percentage is 25 percent.
- 2. Indexed formula:** With this formula, the resale price is no more than the initial affordable purchase price plus an adjustment based on the annual change in either the area median income published by the U.S. Department of Housing and Urban Development, or HUD, or the consumer price index.³⁰
- 3. Fixed-rate formula:** With this formula, the homeowner's initial affordable price is increased over time by a fixed annual percentage of either simple or compound interest. The most common interest rates are between 1 percent and 2 percent per year.³¹

As with other shared equity models, stewardship is a central component of CLTs. As stewards of the land, CLTs actively monitor and enforce the ground lease. CLTs also play an important role in promoting sustainable homeownership by providing pre- and post-purchase education; approving first mortgages, refinance loans, or home equity lines of credit; assisting with major home repairs; monitoring compliance with use, occupancy, maintenance, and resale restrictions; and intervening to prevent foreclosure. As a result—and not surprisingly—CLTs typically experience low foreclosure rates.³² A 2011 study of 96 CLTs indicated that at the height of the foreclosure crisis in 2009, homeowners living in CLTs were 10 times less likely to be in foreclosure proceedings and 6.6 times less likely to be at least 90 days delinquent, compared with homeowners in the conventional market.³³

Benefits of CLTs

CLTs provide several benefits to individual homeowners and their neighborhoods. In many respects, these benefits, including those described below, are very similar to those offered by other shared equity homeownership models and other nonprofit community development organizations. The emphasis on the collective ownership of the land in perpetuity is perhaps the feature that makes CLTs stand out as a promising tool to challenge the conventional housing market. Their mission to retain land is especially important in neighborhoods where out-of-state investors who purchase property may not be interested in maintaining the homes' affordability.³⁴ In addition, CLT residents' direct engagement in decision-making provides an important opportunity for lower-income individuals to actively control housing quality and security, not only for their families but also for subsequent generations of CLT residents.

Benefits for individual families

CLT homes are usually more affordable than market-rate homes. Those who buy CLT homes make on average between 60 percent and 65 percent of the area median income and may not be able to afford purchasing their homes in the private market.³⁵ CLT homeownership promotes wealth building and economic mobility for these families. It serves as a springboard for lower-income families to eventually enter the conventional housing market, realize the financial benefits of homeownership with a lower risk of losing their home to foreclosure, and accumulate wealth in the long run.³⁶

Although CLTs are best known for providing permanently affordable owner-occupied housing, several CLTs also provide rental opportunities.³⁷ This is particularly common in larger cities characterized by an abundance of multifamily buildings and by a mix of cold and hot markets.³⁸ Examples of CLTs that include rental units are Dudley Neighbors Inc. in Boston,³⁹ Sawmill Community Land Trust in

Albuquerque, New Mexico;⁴⁰ T.R.U.S.T. South LA in Los Angeles;⁴¹ and Cooper Square in New York.⁴² According to a 2011 survey conducted by the National CLT Network, roughly two-thirds of residential properties in CLT portfolios are rentals.⁴³ The ground lease arrangement with CLTs gives tenants the added security that rent increases will be limited.

Neighborhood benefits

CLTs can be an effective tool in neighborhood stabilization strategies. Economically depressed communities are plagued with abandoned land and decaying buildings that discourage investment in community improvement. In these markets, CLTs can contribute to fewer foreclosures, better upkeep, and stable occupancy. They can help reconnect vacant properties to the market. As in other shared equity models, a CLT's stewardship protects homeowners and neighborhoods by stabilizing owners, ensuring that properties are not abandoned or turned into absentee rentals, providing basic maintenance and rehabilitation, and replacing vacant buildings or lots with functional homes. Cities across the country have been shifting foreclosed and vacant properties into CLTs before they can negatively affect their neighborhoods.⁴⁴ Pioneers in this shift include advocates and leaders in Massachusetts, Colorado, and Minnesota.⁴⁵

CLTs can also prevent displacement in gentrifying neighborhoods. Gentrification puts pressure on many low-income residents of rapidly appreciating, often high-opportunity urban neighborhoods. In many cities, the land cost represents more than 50 percent of the cost to complete a dwelling unit.⁴⁶ In these markets, the construction of affordable units is nearly impossible; lower-income families are faced with displacement as redevelopment and the increase in private rents price them out of their communities. CLTs, either alone or as an element of inclusionary housing programs, represent an effective tool to prevent this displacement. By attaching the single initial subsidy to the land, CLTs provide a stock of affordable housing that remains intact regardless of what happens in the surrounding neighborhood. This can preserve the mixed-income character of neighborhoods that experience rapid home price increases.⁴⁷

CLTs can also be a tool to support smart growth and mixed-use land development. This is particularly important for the ongoing affordability of homes near public transportation, transit-oriented developments,⁴⁸ job centers, or other amenities. Buildings on CLT land may include mixed-use structures with commercial

or office spaces.⁴⁹ In addition, CLTs could be used to support the development of scattered sites for affordable housing in suburban areas, especially those characterized by job opportunities that are currently out of reach for many lower-income families. Some CLTs already have scattered site acquisition strategies and could serve as models for other CLTs, especially those that could expand their activities to the suburbs of high-cost metropolitan areas. Rocky Mountain CLT in Colorado, for example, focuses on scattered site development because it allows residents greater flexibility and choice in their home selection.⁵⁰

Challenges and recommendations for expanding the capacity and scalability of CLTs

Opportunities exist for CLTs to be part of the solution to the housing crisis at a time when affordable housing is in short supply for homeowners and renters, neighborhoods nationwide are losing assets due to foreclosures and the reduction of housing subsidies, and tight credit prevents families from achieving sustainable homeownership. Several challenges, however, prevent CLTs from playing a stronger role both in the production and protection of long-term affordable housing and in neighborhood stabilization.

CLTs' limited capacity is one of the model's biggest challenges, despite its benefits and potential. Although their numbers have increased considerably since their inception in 1969, CLTs still represent a very small segment of the community development sector, and CLT homes make up a negligible portion of the national housing stock. In addition, CLTs tend to be very small local nonprofits organizations with a neighborhood focus. Their grassroots character may curb their ability to operate at broader geographic scale.

The costs and availability of buildable sites and the availability of funding severely challenge the scalability of this model. In many parts of the country, land prices are very high, and CLTs have a hard time acquiring land. Land acquisition is even more difficult because many of the subsidies that CLTs have traditionally used to develop and steward affordable housing units have been curtailed. Funding from the Community Development Block Grant program and HOME, for instance, has declined dramatically in recent years.⁵¹

Another key challenge to expanding CLT programs is the difficulty of accessing conventional loans for first mortgages on homes purchased through a CLT. Lenders are often concerned about the greater administrative burden and the

smaller profits generated by making loans on homes in CLTs. Most residential lenders are unfamiliar with the ground lease mechanism and often worry that their ability to foreclose on a property may be compromised because they would not be able to resell it free and clear.⁵²

Access to the secondary market and to mortgages insured by the Federal Housing Administration, or FHA, represents another important barrier. Investors in the secondary mortgage market generally prefer assets that can be easily liquidated. Therefore, a ground lease that limits the sale price and the allowed buyers represents an obstacle for CLT mortgages' access to the secondary market, unless the lease can be modified. Fannie Mae has developed mechanisms to address some of its lending partners' concerns, especially those related to administrative burdens and the ground lease restrictions.⁵³ For instance, Fannie Mae's Desktop Underwriter can now underwrite CLT transactions; in the past, it was done manually.⁵⁴ Fannie Mae also addressed the concern related to ground lease restrictions with a ground lease rider that modifies or eliminates specific restrictions for as long as the financial institution has an interest in the leasehold; it does not, however, permanently change the lease to which it is attached. Modifications through riders are applicable only for the life of the loan in question.

CLT homebuyers currently do not have access to FHA-insured mortgages, because some of the conditions on which such insurance is available conflict with the basic CLT mission of preserving the affordability of owner-occupied units.⁵⁵

Recommendations

Given their potential and benefits, CLTs must continue to contribute to the production and protection of long-term affordable housing and serve as an effective tool in neighborhood stabilization strategies. As they continue to evolve and build capacity, however, they need to address the important challenges of site acquisition, funding, and mortgage financing.

Acquisition of sites

CLTs should take advantage of existing housing units and bring them into the CLTs. In weak markets and older urban neighborhoods where values are low, CLTs may be able to acquire properties with a smaller initial subsidy or donations and rehabilitate

some of the properties. Because it might not be financially viable for CLTs to sell the properties acquired in weak market conditions, CLTs may consider redeveloping some of these properties as rentals and then turning them into homeownership opportunities if the market heats up, perhaps through a lease-purchase mechanism.⁵⁶ Foreclosed and vacant homes in many neighborhoods nationwide represent an opportunity for CLTs. CLTs, as other local nonprofit organizations, should be given serious consideration for the disposition of real estate-owned properties,⁵⁷ the donation of surplus municipal real estate, and the acquisition of distressed assets that are periodically auctioned in these areas. Sometimes distressed assets are clustered together: This represents a potential advantage for CLTs in that it would save on costs related to rehabilitation, maintenance, and infrastructure. Most importantly, these properties are often located close to downtowns and neighborhoods that have seen increased housing demand due to their proximity to transit. Preserving affordability may be critical for future development in the broader communities in which CLTs are located. City First Homes, for example, is already doing this in Washington, D.C., a market characterized by a severe shortage of affordable housing and rampant gentrification.⁵⁸

At the same time, CLTs should be encouraged to expand their service areas and adopt scattered site strategies, especially in job-rich suburban areas and in neighborhoods close to public transportation.⁵⁹ Local municipalities could support the integration of CLTs into local inclusionary housing programs and smart growth strategies and encourage partnerships with other local nonprofit organizations. Through these partnerships, CLTs would be in a better position to increase their capacity and diversify their holdings to include rental housing and mixed-use development,⁶⁰ especially in high-opportunity areas where the demand for affordable housing is stronger. This could also help save existing rental housing units, maximize the overall number of affordable units throughout a metropolitan area,⁶¹ and enhance a CLT's revenue stream. In addition, this could give lower-income families a broader choice of neighborhoods and increase their opportunities for economic mobility.

Funding

It is critical to identify, safeguard, and enhance sources of CLT project funding at all levels of government. Restoring funding for affordable housing and community development programs in the budget to prerecession levels is a vital step to ensure that CLTs, like other shared equity and affordable housing programs, continue

to receive critical federal support. But it is also important to think about how to make existing dollars go further. For example, HUD could increase the affordability period in programs such as HOME, which currently requires minimum affordability periods of five years to 15 years for homeownership projects, depending on the amount of HOME funds invested in the units.⁶²

In addition, states should adopt lasting affordability in their qualified allocation plans for the Low-Income Housing Tax Credit program, giving CLTs a greater opportunity to be considered for this type of funding.⁶³ States should also be encouraged to contribute to CLT capacity management through funding and technical assistance. Partnerships with local governments, mortgage servicers, and employers could increase access to additional sources of funding and land acquisition opportunities. In addition, merging small CLTs could be an effective strategy for increasing their capacity to compete for Community Development Block Grant program funding and gain direct access to federal and local subsidies.

Mortgage financing

To increase access to mortgage financing for buyers of CLT homes, it is important that lenders receive education concerning the CLT model and the fact that mortgages for CLT homes have access to the secondary market. The FHFA rightfully points to shared equity models as an important tool for increasing access to sustainable homeownership, decreasing the likelihood of foreclosure, building wealth, and preserving affordable homeownership.⁶⁴ The support for shared equity homeownership by government-sponsored enterprises can enhance its effectiveness in meeting the needs of underserved markets. As the FHFA finalizes the proposed duty-to-serve rule, it should prioritize building support for shared equity models. First, the FHFA should keep enterprise support for shared equity models as a regulatory activity. Volume and resources are two of the factors mentioned in the proposed duty-to-serve rule that the FHFA will use to evaluate the enterprises' underserved market plans. Because CLTs and other shared equity models might not have an immediate impact on volume and resources, the agency must acknowledge the powerful long-term impact of shared equity models in its evaluation process. The enterprises should not be discouraged from nor penalized for proposing activities that support shared equity, which can have a significant impact on affordable housing over time. The enterprises can take various steps to meet their regulatory obligation. For example, automated underwriting for shared equity loans should be improved and adopted by Fannie Mae—which has already made automated underwriting available for some shared equity mortgages—and Freddie Mac.

FHA-insured mortgages

Access to FHA-insured mortgages for CLT homebuyers should be given more consideration in HUD's policy agenda. In particular, regulations regarding FHA-insured loans for homes that are purchased through CLTs should be revised and expanded to better align with the mission of CLTs. The FHA could model its regulations after what Fannie Mae has done with the adoption of a ground lease rider. This would assist lower-income buyers who are not qualified for conventional loans. In addition, such a step by the FHA could represent promising movement toward the much-needed standardization of guidelines for mortgage financing in long-term affordability programs. The absence of standardized guidelines in the industry too often deters lenders from entering not only the CLT arena but also other deed-restricted housing as well.

Conclusion

Community land trusts, like other shared equity models, can help lower-income families safely bridge the gap between rental housing and traditional homeownership and its rewards. They also have the potential to challenge the conventional housing market and enhance neighborhood stability through the collective ownership of land in perpetuity. This model is still evolving and has not yet achieved the critical mass that would allow it to have a broader impact on the housing market. It is not the sole solution to the housing affordability crisis, but opportunities exist for it to be part of the solution by creating and protecting a portfolio of homes that are affordable for current and future generations of lower-income families.

About the author

Michela Zonta is a Senior Policy Analyst for the Housing and Consumer Finance Policy team at the Center for American Progress. She has extensive research, teaching, and consulting experience in housing and community development. She has published work on the government-sponsored enterprises, mortgage-lending practices of ethnic-owned banks in immigrant communities, jobs-housing imbalance in minority communities, residential segregation, and poverty and housing affordability.

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What Is the Build-to-Rent Sector, and Who Does It Serve?

Laurie Goodman and Amalie Zinn

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There is not enough housing in the US to meet demand. For-sale residential construction declined substantially after the financial crisis and has yet to fully recover. And although the pace of construction has increased since its lows, it has not yet returned to normal, which, over time, has created an acute supply shortage. Parrott and Zandi (2021) estimated that the annual supply of new housing units was running an estimated 100,000 units behind new housing demand, with an aggregate deficit of 1.7 million units. Freddie Mac estimated that the US had a housing supply deficit of 3.8 million units (Khater, Kiefer, and Yanamandra 2021), while Rosen and coauthors (2021) estimated that from 2001 to 2020, we have cumulatively built 5.5 million fewer units than if the annual rate of production over the prior three decades had continued. The growth of the build-to-rent (BTR) sector, part of the single-family rental (SFR) market, is one potential source of new supply that can help close the supply-demand gap. But there has been little research done on the market and the product. To assess the potential of the BTR market, we must look at who BTR homes serve and determine what the business models in the market are today and what the policy implications are of this growing industry.

The build-to-rent sector, as we refer to it, is part of the SFR market in which homes are built to be rented, as opposed to acquired. The SFR market is dominated by small investors and “mom-and-pop” landlords who hold fewer than 25 properties and often own older properties; the average year built for all SFR properties is 1979 (Goodman et al. 2023). These properties are typically in neighborhoods and locations scattered across cities and metropolitan areas, while BTR properties are new-builds that are often together in a single community. BTR properties are typically owned and maintained by builders or institutional investors, or partnerships between the two. Because BTR homes are built for renters as opposed to homebuyers, they differ from other SFR homes. BTR homes are often part of master-planned BTR communities that share amenities such as walking trails, parks, or swimming pools, as opposed to the scattered-site model for general SFR properties, which typically do not include similar

amenities. BTR homes are similar to ground-up multifamily development, except that they are horizontal instead of vertical and consist of larger units.

Given the recent and rapid growth of the BTR market, we wanted to better understand it. Through interviews with leaders in both the SFR and BTR industry, we set out to understand the size of the BTR market, the various business and financing models across the industry, the people and places that BTR homes serve, and the BTR industry's future.

Why Build to Rent?

BTR homes have attracted interest from institutional investors in single-family rentals, homebuilders, commercial multifamily developers, and the public.

It has become increasingly difficult for institutional SFR investors to source existing homes through traditional channels. Institutional SFR investors began to buy homes in 2012, relying heavily on foreclosures or other distressed sales as their source. SFR investors then bought homes through more traditional channels, such as the Multiple Listing Service. But as interest rates fell in 2019 and homeownership demand increased, it became increasingly difficult to source homes in desired locations with desired characteristics, and SFR investors began to rely more heavily on BTR homes. This movement accelerated during the COVID-19 pandemic and ensuing remote-work period, as households increasingly desired single-family homes that had home office space and outdoor space. This demand, in turn, has given BTR market participants more confidence that these properties will stay rented.

Although BTR homes may be more expensive up front, they are particularly enticing for SFR investors because of the reduced capital expenditure burden relative to typical SFR homes. The homes are new and require less maintenance, and there are efficiencies of scale in management, as the homes are often concentrated in one location. Moreover, the appliances and the air conditioning and heating systems are new and under warranty. And depending on the relationship between the builder and the SFR investor, most of the maintenance expenses may be covered. As a result of the demand and the economics, the BTR sector, which has always been a part of the SFR landscape, has grown at an exponential pace over the past few years and added to the housing supply.

BTR homes also offer an additional disposition strategy for homebuilders, who can continue to build homes during periods of economic uncertainty with the opportunity to rent out properties or sell the properties to an institutional single-family investor who will rent the properties, instead of selling to homeowners. This gives the builder an additional outlet for the properties and reduces the risk, which enables homebuilders to continue to build in economic environments with high or fluctuating interest rates, when potential homeowners have pulled back from the market. Contractual arrangements between homebuilders and SFR investors can allow the builder to build scalable, standardized floor plans that take advantage of volume deals on materials and products. It also allows for a steadier business flow with local construction trades that can keep those workers secured across the ups and downs of new for-sale cycles and give the builder an assured labor supply.

Commercial multifamily developers have also entered this sector, as it is close to their core business; building and renting multifamily properties provides some diversification. Similarly, hospitality and resort developers have made inroads in this sector.

BTR homes increase supply for a key, and potentially growing, part of the market: households with a desire to live in single-family homes but who do not want the responsibility of being homeowners, those who intend to live in an area for a short time, and those who cannot enter homeownership given their incomes in relationship to the carrying cost of a mortgage. The reality is that nearly 80 percent of homes on the market are not affordable for households earning median incomes or less to purchase, and this income threshold is lower in many metropolitan areas.¹

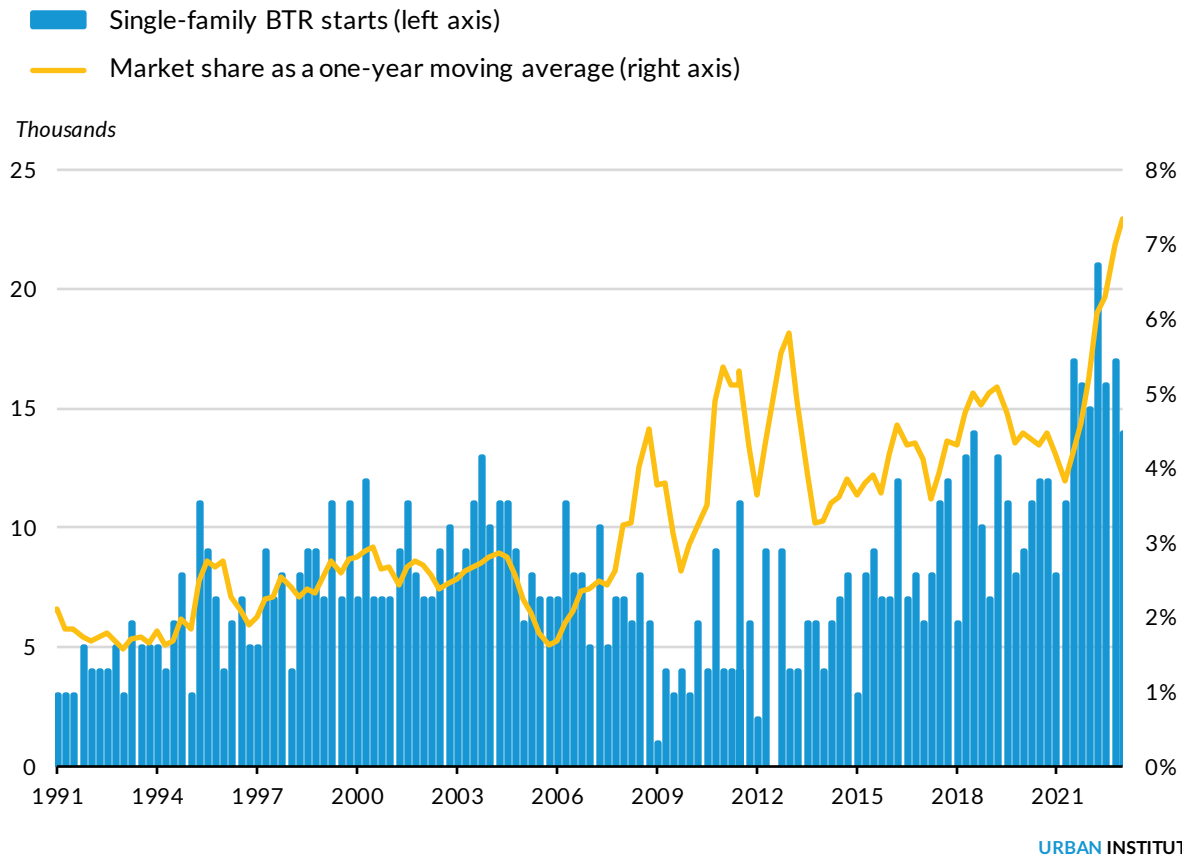
BTR by the (Rough) Numbers

It is difficult to size the BTR industry, but Yardi and the National Rental Home Council estimate that 131,000 BTR units were built from 2019 through the first quarter of 2023 (Q1 2023). Given the rapid growth in recent years, this represents the bulk of the outstanding BTR stock. This estimate is consistent with industry estimates that there are about 900 BTR communities averaging 135 to 150 units apiece. This is a tiny share of total housing units. For context, according to the 2021 American Community Survey, there are 127.5 million occupied housing units in the US, 44.1 million of which are rental units. There are 11.4 million occupied detached SFR units and 2.9 million attached SFR units, for a total of 14.3 million occupied SFR units. Thus, 131,000 BTR units represents just under 1 percent of outstanding SFR units.

But BTR housing is relatively new and has been increasing rapidly the past few years. It now constitutes a significant share of new construction. Rob Dietz, chief economist at the National Association of Home Builders, estimates that from Q2 2022 to Q1 2023, there were 68,000 single-family BTR homes started, compared with 52,000 in the previous four quarters.² Figure 1, where the bars illustrate quarterly starts, shows that the growth of this market has been rapid in the past two years. The average annual number of BTR starts from 1990 to 2020 (a 31-year period) averaged 29,000, compared with 68,000 in the past four quarters. To put this in a broader perspective, US Census Bureau estimates show 926,000 single-family starts from Q2 2022 to Q1 2023, making BTR starts about 7.3 percent of total starts (versus a 3 percent average from 1990 to 2022).

FIGURE 1

BTR Starts and Share of the Market



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Source: Robert Dietz, “Cooling for Single-Family Built-for-Rent Construction,” *Eye on Housing* (blog), National Association of Home Builders, May 17, 2023, <https://eyeonhousing.org/2023/05/cooling-for-single-family-built-for-rent-construction/>; based on US Census Bureau quarterly starts data.

Notes: BTR = build-to-rent. This figure does not include homes built for sale or homes sold to an investor with an intent to rent.

But this estimate is grossly understated, as it includes only homes held by the builder for rental purposes. The number excludes homes that are sold to another party who intends to rent it out. That is, the estimate does not include homes that are sold to an SFR investor upon receipt of the certificate of occupancy, even when a partnership between a builder and SFR investor is in place from the beginning. In addition, this number does not include homes built for individual ownership that are sold to investors and operators as individual properties to be rented. The National Association of Home Builders, using industry surveys, estimates that another 5 percent of single-family starts are actually built to rent. This would bring the total share to 12 percent of new construction, suggesting close to 120,000 BTR starts in 2022.

How do we reconcile the National Association of Home Builders numbers with the 131,000 BTR units from 2019 when Yardi first started collecting data on this sector to early 2023? First, not all the units the National Association of Home Builders tallies as starts in 2021 and 2022 are completed. Units

are in various stages of completion; in some cases, only the land has been purchased, and in other cases, construction has been started. Yardi and the National Rental Home Council estimate that in addition to the 131,000 completed units, another 112,000 are in various stages of development, including 31,000 prospective units (those committed to by the developer but not yet approved by local zoning or review authorities), 35,000 planned units (projects approved for construction), and 46,000 units under construction (projects that have broken ground).

In short, we expect continued rapid growth in the BTR market, though it will likely slow from the breakneck pace of 2022. Although today's high interest rates will provide some moderating influence, the land has been purchased and construction has already begun in many cases. For example, American Homes 4 Rent (2022) noted that it expected to complete 2,150 homes in 2022 but has a land pipeline of more than 15,000 units, up from 6,000 in 2019.

Indeed, over the past few years, the housing supply shortfall has become ever more apparent. While housing starts have increased, household formation has been even more robust. The result is that it is difficult for institutional SFR investors to purchase the number of units in their buy box (desired location and characteristics) at prices that are attractive, producing rapid growth in the BTR market.

How Does the BTR Market Work? Do All Market Participants Follow the Same Model?

In the BTR business model, new homes are being built to be rented. But different market participants employ BTR models in different ways. After talking to industry participants, we put together the following four categorizations: the vertically integrated model, the contractor model, the partnership model, and the one-off sale model. Many operators fit into more than one category. They may be representative of the vertically integrated model for some of their communities but also have partnerships, for example.

In the **vertically integrated model**, one organization builds, holds, and manages its own homes. Our interviewees suggested this model requires high levels of both capital and expertise in construction and building management. The advantage of this model is that the entity controls every aspect of the process, from land selection to the community layout to unit design and construction to the ultimate sale. This model is employed by American Homes 4 Rent, one of the largest and longest-tenured players in the BTR marketplace. Several large public builders have expanded to serve as rental operators, including D.R. Horton,³ Century Communities,⁴ and LGI Homes.⁵ Some smaller private operators are also vertically integrated.

Under the **contractor model**, an SFR investor serves as the developer and operator and has a relationship with a homebuilder to contract and build homes. In this model, the SFR investor buys the land and finances the project. The builder plays more of a contractor role. The SFR investor often provides floor plans or other input for the homes and amenities but does not undertake the construction. Haven Realty⁶ and Quinn Residences are examples of this model.

The **partnership model** is most often struck between an SFR investor and a builder. Although the terms differ from partnership to partnership, the builder typically buys the land and then partners with an SFR investor. The SFR investor agrees to buy all (or a major portion) of the completed development at a preset price or based on a preset formula. The SFR investor pays the builders a deposit up front, which assures the home builder that the deal will close. The deposit also helps the builder cover some of the construction costs and reduces financing costs. That is, the lender knows the deal has been presold, which makes financing less risky. The SFR investors typically make the final payments on the properties when the homes are delivered with a certificate of occupancy. The SFR investor may have some input regarding the size and design of the units or the types of amenities, depending on their relationship with the builder. SFR investors may also have some input in selecting the appliances, as they have negotiated volume discounts for their SFR business and have experience maintaining these appliances.

Several public builders have announced partnerships. In May 2021, Lennar announced a \$4 billion platform for BTR homes, capitalized with equity from Centerbridge Partners, Allianz Real Estate, and others.⁷ Toll Brothers and BB Living have a partnership that operates more than 30 BTR communities.⁸ Pulte has announced a partnership with Invitation Homes to build 7,500 homes over five years beginning in mid-2021.⁹ Taylor Morrison had a partnership with Christopher Todd Communities, though that partnership has since broken up.¹⁰

In addition to those three models, where homes are built to be rented, the BTR industry has given builders an outlet for properties built for sale that did not sell through traditional channels to homeowners. These homes can be sold to rental operators to become rental homes, albeit at a lower price. This occurred in 2022 because of volatility in the homebuying market; homebuilders saw demand evaporate as interest rates rose, and they tapped the BTR industry as another outlet for their homes. Under this **one-off sales model**, operators have no control over the home structures or available amenities. This model gives builders a bit more confidence and comfort to keep building homes during economic downturns because they will have an additional disposition channel. Sometimes, this model is a disposition strategy of last resort—these built-for-sale homes tend to be larger and hence more costly to build than BTR homes, and the builder does not realize the same profitability as it does when selling to a homebuyer. This strategy is not new; builders have been using this disposition strategy since well before the BTR boom, albeit on a more limited scale, as builders can profit from lower selling costs by selling to a single entity rather than to individual homebuyers.

Financing is slightly different depending on the operation. The vertically integrated model and the contractor model rely on acquisition, development, and construction loans, which are generally provided by banks. In the partnership models, bridge funding, often in the form of warehouse facilities from banks, may be needed between when the SFR operator takes possession of a large number of homes at once with a certificate of occupancy. If the construction rollout is gradual, no bridge financing is necessary, but investors may opt to use warehouse facilities. Once most of the homes are rented, SFR investors will generally opt for permanent financing so that the equity tied up in the project can be redeployed elsewhere. These homes can be included as collateral in SFR securitizations. In 2021, Freddie Mac began to pilot permanent financing in this space, though there are some restrictions on

rents to qualify. In this pilot, 75 percent of SFR homes must have affordable rents or be affordable to households earning 80 percent of the area median income or less; waivers are considered for mission-based or nonprofit strategies. Loans where only 51 percent or more SFR homes are affordable for households earning 80 percent of the area median income or less will be considered on an exemption basis.¹¹

What Do BTR Homes Look Like? Where Are They Concentrated? Who Are the Residents?

The three main types of BTR homes are horizontal apartments, townhomes, and single-family detached homes. Horizontal apartments, or “cottage style” homes, are typically small apartment-sized units on one floor and are one-to-two-bedroom homes attached at the sides. These units provide some of the benefits of single-family living without the price tag, as Yardi and the National Rental Home Council estimate these rents to be between \$1,300 and \$1,900 a month. Specifically, renters in horizontal apartments do not have neighbors above and below them, which reduces noise, and they may have access to a small yard, dog run, or other outdoor shared space and amenities. Horizontal apartments are typically built on single parcels of land and cannot be divided up for individual sale to other operators or, in the future, to individual owners.

Townhomes are larger than horizontal apartments and usually have several levels; most have two to four bedrooms. While a horizontal apartment in the BTR space may be between 1,000 and 1,500 square feet, a townhome is usually closer to 1,400 to 1,800 square feet, plus a garage, in many cases. Some townhome communities are built on single parcels, while others are on individual parcels that can be sold off individually. These homes are concentrated in the western United States, according to survey data from Yardi and the National Rental Home Council.

Finally, single-family detached homes are the largest BTR properties. In many ways, these homes are similar to homes built for sale, though they tend to be slightly smaller and often contain more durable finishes, such as laminate faux wood flooring and granite or quartz countertops, wider hallways, and standard appliances. The institutional operators of BTR homes are often willing to spend a bit more up front to save on maintenance costs. These homes usually have three or more bedrooms, are 1,800 to 2,500 square feet, and typically have their own garages and yards. At the very top of the BTR market are luxury SFR homes that are usually 2,000 to 3,000 square feet and have four or more bedrooms. According to Yardi and National Rental Home Council data, luxury single-family detached BTR properties are concentrated in California and Nevada, while more traditional single-family detached BTR properties are more concentrated across the Southeast.

In the BTR space, all these products run the gamut of basic to luxury based on size and finishes in the homes, the number of community amenities, and the locations they occupy. All BTR properties offer on-site maintenance, and most provide parking and privacy. BTR operators are increasingly incorporating smart home technology, such as alarm systems.

Amenities vary both by community size and by the developers' philosophy. Smaller communities may have a dog park and a walking path. Larger communities may have a clubhouse with a fitness center and a pool. Some developers believe amenity-rich developments command rent premiums high enough to offset both the initial costs and the operating costs, but other developers believe the house is the amenity. On all sides of the amenity debate, developers noted the importance of location as an amenity. Neighborhoods near good public schools and that have low levels of crime are attractive to BTR developers and operators, as families, often the target renters for BTR homes and communities, are drawn to such locations.

Our interviews with leaders in the BTR space indicated a shift among developers away from horizontal apartments and townhomes and toward single-family detached homes. Traditional BTR townhomes and horizontal apartments are now considered to be the lower end of the spectrum, while single-family detached homes and communities are often more luxurious and can pull in higher-income renters. Many of our interviewees attested that the significant growth of the BTR industry, particularly since 2019, has been driven by single-family detached homes. There has been rapid growth in single-family homes built at the top end of the spectrum. These luxury homes cost more and have greater square footage and more amenities, such as pools, gyms, and coworking spaces.

The newer "luxury" BTR model, which data and our interviews suggest accounts for much of the recent growth in the space, has been built to attract renters that could afford to transition into homeownership but have decided not to. Many of these renters do not want to be stuck in one place, and they appreciate the flexibility that renting provides.¹² Some are not interested in the maintenance and investment that is required for homeownership and appreciate the opportunity to contact a landlord for maintenance and landscaping needs. In some cases, our interviewees noted that people are even renting single-family detached BTR homes as second homes or vacation homes.

Given such recent developments and changes in the BTR space, we know little about who BTR occupants are and how they differ from other renters. From their work and their knowledge of the space, our interviewees indicated that BTR renters, specifically those in single-family detached homes, are typically affluent (i.e., a high proportion earn more than \$100,000 a year), are educated (have a bachelor's degree or more), are married and have children (and often pets), and tend to be older than the average renter. To validate this, we compared 2021 American Community Survey data on renters in single-family homes built in 2011 or later (our proxy for BTR homes) with renters in all rental properties, in SFR properties, and in SFR properties built in 1990 or later (a crude proxy for SFR properties owned by institutional investors) (table 1). We found that mean and median incomes of renters in single-family properties built in 2011 or later was highest of the groups. These renters had larger average family sizes and more children than all renters, though these numbers were both slightly lower than those in all SFR homes and all SFR homes built in 1990 or later. This likely reflects that some BTR homes are the smaller horizontal apartments. We also found that a slightly higher share of these renters is white, and a slightly lower share is Black or Hispanic, versus any of the comparison groups, but the differences were minor. Finally, as expected, we found that the median rent and the distribution of rents for BTR households was the highest among all renters.

TABLE 1

Household Characteristics, by Rental Type

	SFRs built in 2011 or later (BTR proxy)	All rentals	SFRs	SFRs built in 1990 or later
Median household income	\$73,000	\$43,500	\$51,200	\$63,000
Mean household income	\$91,165	\$60,764	\$69,120	\$81,479
Mean family size	2.56	2.16	2.69	2.85
Median number of bedrooms	3	2	3	3
Median age of head of household	39	42	43	41
Share of households with three or more people	45.6%	32.9%	48.8%	53.8%
Share of households with kids	42.5%	34.5%	48.6%	52.7%
Share of households that are Black	14.6%	19.0%	17.1%	16.2%
Share of households that are white	60.3%	49.6%	53.3%	52.8%
Share of households that are Hispanic or Latino	15.4%	20.5%	20.0%	19.8%
Share of households that are Asian American or Pacific Islander	4.0%	5.6%	3.9%	5.5%
Share of households that are another racial or ethnic group	5.7%	5.3%	5.6%	5.7%
10th percentile of rent	\$750	\$430	\$500	\$600
30th percentile of rent	\$1,300	\$750	\$750	\$1,000
Median rent	\$1,600	\$1,000	\$1,100	\$1,400
70th percentile of rent	\$2,000	\$1,400	\$1,500	\$1,800
90th percentile of rent	\$2,800	\$2,000	\$2,200	\$2,500

Source: 2019 American Community Survey IPUMS one-year samples.

Note: BTR = build-to-rent; SFRs = single-family rentals.

Rental apartments are often found in city centers, where horizontal space is scarce, so developers build upward. BTR single-family homes, however, are often part of full BTR communities, for which large open real estate space is needed. These communities usually have between 100 and 200 homes. Beyond the community amenities, our interviewees noted that the location of the BTR home is an important selling point, particularly to attract households who rent by choice. Renters want homes in communities that are safe but lively, close to good schools and neighborhood resources. Although a small minority of BTR communities are exurban and far away from cities and metropolitan areas, the bulk of these properties are suburban and are within a one-hour drive of a city center with shopping, restaurants, and employment nodes nearby. Horizontal apartments and townhouses are likely to be closer to the city, as their higher density allows for the use of infill space.

Our interviewees suggested that BTR communities of all kinds—horizontal apartments, townhomes, and single-family detached homes—exist all over the country, but there are some metropolitan areas where BTR homes have become particularly popular. But because of the difficulty of capturing data on BTR homes versus homes built for sale, it is unclear where most BTR communities are, and it is difficult to disaggregate by BTR type. Overall, our interviewees indicated that BTR operators

are most interested in suburbs outside of growing metropolitan areas, those with high job growth that are attracting higher-income residents.

The data show that BTR development has been concentrated in areas where the starting land basis cost was low, such as affordable markets that were destinations in postpandemic migration patterns where people moved for greater housing affordability. National Rental Home Council and Yardi Matrix data show the most properties under construction in Texas, Arizona, Florida, North Carolina, and Georgia, while completed units are concentrated in Texas, California, Ohio, and Arizona. This is partially because of the flat open land that exists in or near major metropolitan areas in these states, partially because these are growing areas with influxes of residents, particularly since 2019, and because of local regulations that make it possible for developers to acquire land and build properties to their specifications with fewer local regulatory zoning and permitting hurdles to overcome.

Policy Implications and Conclusion

Data and our interviews indicate that the BTR market share is growing rapidly, but more research, data, and analysis are needed to fully understand how large the BTR market is. The BTR community, researchers, and policymakers would benefit from more data on who BTR renters are and in what kind of properties they live. This information could help drive market efficiencies and help policymakers determine the evidence-based policy pathways to develop BTR homes.

Anecdotally, we learned that BTR homes were initially designed with senior citizens in mind (i.e., small single-family properties that have one floor, are easy to manage, and have maintenance available), but the market has evolved, and newer, particularly high-end, properties are geared more toward younger households that are aging out of apartments and need or want more space but cannot afford to or do not want to buy. To better understand this market and its potential growth, it would be helpful to have data on who rents BTR properties versus other rentals.

The United States is experiencing a severe shortage of housing supply, particularly of single-family homes.¹³ BTR housing is one opportunity to bring new capital and energy into the homebuilding space, which will increase the nationwide housing supply. Policies that encourage and allow more homebuilding overall are crucial to combating the supply-side shortage, and such policies will help the BTR market as well. Tax incentives and flexible zoning policies can promote more homebuilding, either for rent or for sale, and these policies should be tweaked to encourage more investment in affordable housing. By allowing greater density in new developments, localities can encourage newly built properties, including BTR properties, to be affordable, as the cost of the units will be lower. Given that land costs have increased more rapidly than the costs of structures themselves over the past decade,¹⁴ BTR operators could produce smaller units, which can be more profitable in many locations, even when they can charge lower rents. Similarly, by allowing incentives such as low-cost financing (e.g., Freddie Mac's pilot) or tax credits for homes rented to low-income borrowers, SFR investors would be more likely to prioritize affordable rental housing.

That said, BTR homes are not the silver bullet for increasing housing supply, particularly affordable housing supply. Both the SFR market writ large, and the BTR market, are small pieces of the overall US housing market. One criticism that is often leveled against the institutional SFR industry is that it competes with and may crowd out those who seek to provide affordable housing for renters and potential new homeowners. Evidence of this for institutional SFR homes is mixed, and there has been no research specifically on BTR homes. Regardless, given how great today's affordable housing crisis and undersupply is, particularly relative to the supply of SFR and BTR homes, wider and more inclusive policies that change incentives and returns on affordable housing will be necessary to adequately address the lack of affordable housing in the United States. But at the margin, BTR housing helps.

Overall, the BTR model, while exhibiting a great deal of variation in terms of property type, financing, and business strategy, is here to stay. The model provides capital for a desperately needed increase in housing supply, and it offers an additional disposition strategy for homebuilders, which can help keep housing supply and starts stable during economic downturns that decrease homebuying demand. More available data, particularly disaggregated by BTR type, will help researchers and policymakers more fully understand the BTR models, their various constraints, and the opportunities to serve many different types of renters.

More research needs to be done to allow policymakers to better assess how much increased supply this growing sector can add. BTR homes increase supply, though likely not by the full amount of BTR activity, as some of the homes would have been built in any case. The critical question we leave for future research is how much of the BTR supply would have been built in any case, and how much simply reflects a reallocation from homes that would have otherwise been owner-occupied?

Notes

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Matthew Goldstein, Trump Decries a ‘Nation of Renters’ but His New Policy Promotes One, NY Times, 2/11/2026

President Trump has identified what he says is a clear culprit holding back the housing market: corporate investors buying up single-family homes and renting them out.

“Homes are built for people, not for corporations,” Mr. Trump said in a speech last month in Davos, Switzerland. “America will not become a nation of renters.”

But buried in Mr. Trump’s recently announced executive order that seeks to bar large investors from acquiring single-family homes is an exemption that allows them to build homes for renting out.

These build-to-rent housing communities are a growing niche of the market and involve some of the same Wall Street landlords that Mr. Trump has blamed for preventing average Americans from owning their own homes.

In recent years, private equity firms like Blackstone have been building new subdivisions of single-family houses that are all for rent. Large home-building companies like Lennar and D.R. Horton have also gotten into the business, building single-family homes dedicated as rentals. One of the president’s own top housing officials, Bill Pulte, had a small business of buying newly built rental homes before he joined the administration.

The build-to-rent exemption may seem at odds with the Trump administration’s stated goal of making more homes available for sale to middle-income Americans by cracking down on Wall Street-backed landlords. Similar proposals have garnered support from some Democratic and Republican politicians over the years.

But housing analysts say, from a policy perspective, build-to-rent communities make sense because they are improving the availability of quality rental housing.

Rick Palacios Jr., director of research for John Burns Research and Consulting, a housing research firm, said build-to-rent communities catered to parents with young children who weren’t quite ready to buy a home.

“Build-to-rent is really a natural steppingstone for homeownership,” he said.

Last year, some 66,000 homes in build-to-rent communities were completed, according to Zonda, a home-building data and research firm. By comparison, just 11,000 build-to-rent community homes were constructed in 2021.

The president’s executive order could give a boost to the nation’s home builders, at a time when many Americans cannot buy single-family homes because of high mortgage rates, rising home prices for existing homes and a severe shortage of newly constructed affordable homes.

D.R. Horton, the nation’s largest homebuilder, said in a recent regulatory filing that it sold 3,546 single-family rental homes last year, compared with 83,622 that were mainly sold to ordinary buyers. Lennar [started a dedicated](#) online platform in August for investors looking to buy newly built rental homes. Both Lennar and D.R. Horton declined to comment.

Alan Ratner, a managing director at Zelman & Associates, an investment bank focused on the housing industry, said build-to-rent deals provided a “built-in hedge” for builders. The ability of a homebuilder to presell a significant number of rental homes in a given development to a large institutional buyer gives the builder comfort to build more homes than it normally might, he said.

Today, almost all of the big Wall Street landlords — Invitation Homes, American Homes 4 Rent and Blackstone — are either cutting deals with homebuilders to buy newly constructed homes in dedicated rental communities or setting up their own construction firms.

Last month, Invitation Homes, one of the original Wall Street landlords, acquired a [build-to-rent developer](#) that specialized in constructing single-family rental home communities in several Southeastern states.

Invitation Homes, which already owns 80,000 rental homes, announced its deal roughly two weeks after Mr. Trump announced his [ban on corporate investors turning single-family homes](#) into rental units.

For many years, Invitation Homes and its private equity owner at the time, Blackstone, were the [public face of the Wall Street-backed landlords](#). The aftermath of the 2008 financial crisis, which left millions of Americans in financial ruin, was a buying opportunity for Invitation Homes, which acquired tens of thousands of foreclosed homes to operate as rentals.

Wall Street-backed firms' buying of foreclosed homes helped stabilize the housing market in some regions because it took vacant homes off the market and helped put a floor under falling home prices. But over time, the Wall Street landlords became a lightning rod for critics who said the deep-pocketed firms were crowding out first-time home buyers in places like Atlanta, Nashville, Phoenix, Las Vegas and Tampa, Fla. — where most of the firms concentrated their buying.

In recent years, several members of Congress introduced bills that would limit institutional investors from buying large numbers of homes to operate as rentals. But the measures were not adopted.

Mr. Trump's executive order would similarly require congressional action to be fully put into effect. The executive order also instructs the Treasury Department to come up with a definition of what constitutes a big institutional buyer and operator of single-family rentals.

Eric Seymour, a Rutgers University professor who has studied the impact of Wall Street landlords on the housing market, said the federal government could have had more of an impact on the ability of Wall Street to buy homes if it had acted a decade or so ago during the Obama and first Trump administrations.

Most of the big Wall Street landlords — which came into existence in the wake of the financial crisis — long ago moved on from buying large numbers of existing homes. Soaring home prices and low foreclosure rates have made such purchases less profitable.

Today, Wall Street landlords make up only a small segment of the homebuying market. By some estimates, they own 1 to 3 percent of all single-family rentals in the country. Blackstone, [in a fact sheet](#), said it owned 22 percent fewer homes than it did eight years ago.

Most investors buying single-family homes are mom-and-pop businesses that own a handful of rental homes and are not expected to fall under the executive order. Other active buyers are smaller investment firms that have acquired a few dozen rental homes, as opposed to whole communities.

Investing in single-family homes had been lucrative for Wall Street. Blackstone took Invitation Homes public in 2017 and fully exited its investment in 2019, generating \$7 billion in gross proceeds, about twice its original investment.

Two years ago, Blackstone got back into the business in a big way, acquiring Tricon Residential, a large single-family rental firm that already had been active in the build-to-rent market and is continuing to manage rental communities in Texas, North Carolina, South Carolina, California and Georgia.

Last year, Tricon broke ground on a development that [will include 93 rental](#) homes and town homes in Simpsonville, S.C. The company is working [with a Florida-based builder](#) to construct the development, which will include a pool, a dog park, a playground, and pickleball and tennis courts. A sign at the development said: “Brand New Homes for Rent.”

Like President Trump, Mr. Pulte, his director of the Federal Housing Finance Agency, has been a vocal critic of corporate landlords. But before he joined the administration, Mr. Pulte was an investor in build-to-rent properties.

In recent years, several of Mr. Pulte’s investment firms had bought more than a dozen single-family homes, including from his family’s former home-building business, PulteGroup, and from other big builders like Lennar and Toll Brothers.

At the time, Mr. Pulte [said those rental properties](#) would help “give the experience of a new home to Americans who cannot afford it.” Asked on Monday about Mr. Trump's executive order, Mr. Pulte said: “Unlike small landlords, corporations that are owning 100,000-plus homes are not where we should be in America.”

Jared Mitovich, Massachusetts Weighs Return of Rent Control, Dividing Top Democrats, Wall St. J., 2/16/26

BOSTON—A fight is heating up in Massachusetts over what could become one of the nation's strictest rent-control measures.

A group of housing advocates and labor unions want to stop landlords from raising rents by more than the state's annual rate of inflation—but no higher than 5%—a year. They amassed enough signatures late last year to qualify their proposal for this November's ballot, launching New England's most populous state headlong into the debate over whether policing rent helps tenants.

The ballot measure has garnered early polling support in a state with some of the nation's priciest real estate. The average two-bedroom apartment in Massachusetts goes for about \$2,560 a month, 74% above the national average, according to Zillow. In Boston, where such units fetch about \$3,370, Mayor Michelle Wu, a Democrat, is supporting the measure.

Opposition is mounting, too. Gov. Maura Healey—also a Democrat—has said she would vote against the measure on concerns that rent control stifles housing production. A campaign organized by developers, landlords and business groups has pledged to spend millions trying to defeat it, and is also backing a legal challenge.

The Massachusetts law, if adopted, would be especially strict as it doesn't allow for rent increases above inflation. Rent controls in places such as Oregon, California and Maryland's biggest county set limits at the rate of inflation plus an additional amount, or set a higher maximum, said Evan Horowitz, executive director of the Center for State Policy Analysis at Tufts University.

Economists have long argued rent control can slow investment and worsen housing-supply shortages. The hazards are on display in Minnesota's Twin Cities: permits for multifamily construction plummeted in St. Paul after it

enacted a strict rent-control law in 2022, which it is now loosening. Nearby Minneapolis, without rent control, saw a rise in permits.

Still, the concept keeps drawing support in pricey, Democratic-controlled parts of the country. Los Angeles recently tightened rent controls for the first time in four decades. New York City Mayor Zohran Mamdani wants to freeze rents for stabilized units there. In Massachusetts, a November Suffolk University/Boston Globe poll of 500 registered voters found that nearly 63% would support the rent-control ballot measure.

“The housing crisis isn't gonna wait for us to ramp up production,” said Charles Clark, 26 years old, a member of the coalition backing the proposal. He has been looking for full-time work since a recent stint in nonprofit organizing ended while living with family in a Boston suburb, with rents putting an apartment of his own out of reach.

Detractors say the law would slow development and deflate property values. “The question will not only be a cold shower for production of housing in Massachusetts, but it also is gonna hurt little people—people that are trying to build generational wealth,” said Greg Vasil, chief executive of the Greater Boston Real Estate Board. It is one of the main groups involved in the campaign opposing the proposal.

Massachusetts has tried rent control before, but not for decades. In 1994, when Boston and neighboring Brookline and Cambridge all had some form of limits on rent hikes, voters banned the practice via ballot measure following a contentious campaign led by small landlords. That means the law has to change—in the statehouse or via the ballot box—to once again cap rent increases.

Boston's mayor has more recently [tried to revive rent control](#), but the Democratic-controlled legislature hasn't allowed it. Wu said

last week she would vote for the November ballot proposal, even though she had previously expressed concern that the measure was too restrictive.

The measure would exempt new construction for the first 10 years and owner-occupied buildings with four or fewer units. It will officially qualify for the November ballot if the legislature declines to pass it themselves by midyear, and if proponents collect roughly 12,400 more signatures beyond the 88,000 certified signatures collected so far.

The House is focused on ways to boost housing production, said Max Ratner, a spokesman for Speaker Ron Mariano. “The speaker has long argued that rent control, and specifically the proposal that could go before voters in the fall, will stifle housing production, exacerbating the main challenge at the root of the affordability crisis here in Massachusetts,” Ratner said.

A spokeswoman for the governor said Healey’s earlier comments opposing the ballot measure—she spoke out against it on a December radio program—still reflect her position.

“If you look at the studies, you effectively halt production,” Healey said at the time.

Amir Shahsavari, president of the Small Property Owners Association in Massachusetts, said Boston’s old rent-control policy meant his mother couldn’t collect enough for the upkeep and repair of her 10-unit building there.

He later took ownership of that property, but said he sold it last year for fear rent control would return. He said he still owns five units in Beverly and Rockport, two communities northeast of Boston, but that he would consider leaving the business and even the state if the ballot measure passes.

Claude James Jr., a behavioral specialist at a Boston high school, said the rent for the one-bedroom apartment he shares with his fiancée in suburban Quincy, Mass., eats up half of his monthly net income. James said they have already seen increases since moving there in 2024, and more hikes could push them farther away from Boston and his job.

Rising rent “just makes everything harder for the working people that need to live and need to work and want to live near where they work,” James said.



Rent Control

Key Policy Components and Their Equity Implications

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Rent control has a long and hotly debated history. Although rent control has been shown to increase stability and affordability for tenants in controlled units, some studies have found that these benefits are offset by greater costs in the uncontrolled rental market because of reductions in the overall supply of rental units (Diamond, McQuade, and Qian 2018; Sims 2007). Critics also question whether the benefits of rent control truly reach renters with low incomes and renters of color who face the greatest affordability challenges (Ault and Saba 1990; Gyourko and Linneman 1989; Sims 2007).

Even still, many tenants, tenants' rights groups, and community organizers support rent control and believe in its ability to balance power between renters and landlords. As such, rent control has reemerged as a potential tool to address the housing affordability crisis in the US. In 2019 alone, New York, California, and Oregon passed statewide rent control laws or laws that allow cities to enact their own regulations (Rajasekaran, Treskon, and Greene 2019). Additional efforts for new regulations or challenges to preemption (when states do not allow cities to enact their own rent control ordinances) are expected or under way in 2021 in Colorado, Illinois, Massachusetts, Minnesota, Nevada, and Washington state (NMHC 2020).

In this brief, we detail the various components of rent control that determine the regulations' impact on the equitable provision of affordable housing. To identify these components, we pull from academic literature, document review, and interviews with 23 key stakeholders that include community leaders, tenant advocates, policymakers, landlords, and developers. We also gather evidence from

newspaper articles across the US about rent control reforms to identify common barriers, changes to regulations, and innovative ways of implementing rent control to close loopholes and improve outcomes for low-income tenants, both in and outside rent-controlled units. A project advisory group oversaw this work (members are listed in the acknowledgments section below).

This brief also serves to inform our broader body of work on rent control and inclusionary zoning,¹ which will include an empirical study that estimates the impact of rent control reforms on the overall supply of housing, the supply of housing that is affordable to households with low and moderate incomes, and access to opportunity for households with low incomes and households of color.

We find that different groups of stakeholders have diverging views on the efficacy of rent control in promoting equitable housing outcomes:

- While landlords, for-profit developers, and real estate industry representatives are skeptical of rent control's ability to provide affordable housing for renters with low incomes and renters of color, many tenant advocates and housing policy researchers disagree and feel that policy loopholes or weak regulatory coverage is to blame when rent control fails to improve housing affordability.
- Tenant advocates support rent control over other, more supply-driven policies like inclusionary zoning, partly because they feel that rent control plays a crucial role in mitigating power imbalances between tenants and landlords and in increasing civic engagement, which is often overlooked in traditional quantitative research. They also feel that rent control does a better job of providing housing that is affordable to families with low incomes and that other supply-driven policies create housing that is affordable to households with more moderate incomes.
- Vacancy decontrol, which allows landlords to raise rents to market rate or exclude units from regulation after a vacancy, creates an incentive for landlords to displace current tenants and encourages them to select tenants who are more mobile and often have higher incomes. Many jurisdictions have enacted tenant protections such as just-cause eviction requirements to mitigate the negative impacts of vacancy decontrol. However, landlords have found so many loopholes around these protections that vacancy control may be the only way to truly ensure the stability and rights of tenants in rent-controlled units.
- Policy enforcement, compliance, and education are important and often overlooked program components that are necessary to ensuring equitable tenant outcomes. The same rent control regulation may work differently in one jurisdiction versus another if one has a strong protective body in place that helps enforce the rules and support tenants and landlords and the other does not.

Rent Control Regulations

“Rent control” is a loose term used to cover a spectrum of rent regulations. These regulations can vary from hard caps on maximum rents (often associated with traditional rent control) to limits on the amount that rent can increase over time (a method that is often referred to as rent stabilization and is popular currently).

The distinction between these terms generally reflects differences in first- and second-generation regulations. First-generation policies were associated with federally imposed rent ceilings in response to constrained housing markets during World War II. While this iteration of strict rent control largely disappeared by the 1950s, the second generation emerged in the 1970s in response to mass tenant organizing and growing housing cost burdens. Unlike the blunt rent caps associated with the first generation of policies, this iteration was more moderate—it had caps that shifted yearly and often had hardship provisions, including allowing landlords to petition to increase rents for capital improvements if they were not receiving “reasonable returns.”

The following decades were marked by heavy lobbying against rent control by the real estate industry and early economic research suggesting that rent control negatively affected construction rates and property maintenance.² Significant backlash against rent control and a wave of statewide preemptions followed (box 1).

BOX 1

Preemption and Restriction of Rent Control at the State Level

In the 1980s and 1990s, conservative state legislators from the American Legislative Exchange Council^a led efforts to preempt rent control legislation in cities, counties, and other jurisdictions—with great success (Goetz et al. 2021). At the same time, many existing rent control policies were repealed or weakened through state-level legislation. While more than 200 municipalities have enacted some form of rent regulation, rent control is outlawed by the majority of states in the country. As of 2020, 31 states had preempted local use of rent control.^b Some researchers argue that these statewide restrictions prevented rapid policy responses during the COVID-19 pandemic and impeded local housing policy advocacy (Greene, Ramakrishnan, and Morales-Burnett 2020). Examples include the following:

- **Dillon’s Rule.** While this does not explicitly preempt rent control, local governments in Dillon’s Rule states are required to make their case to the state government before enacting rent control. The states with Dillon’s Rule are Alaska, Nevada, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia as of 2020.^c
- **Costa-Hawkins Rental Housing Act.** This California law requires vacancy decontrol, prevents rent caps on units built after 1995, and exempts single-family homes and condominiums from coverage.
- **Ellis Act.** This state law, also in California, allows landlords going out of business to evict tenants and convert those units into ownership units such as condominiums.

This trend of statewide rent control restriction has been challenged in recent years as local tenant advocates are finding ways to work around state preemption to get rent stabilization policies on local

ballots. For example, although Minnesota technically preempts rent control, housing advocates in St. Paul were able to collect the signatures needed to put a citywide rent stabilization measure on the ballot this coming November.^d

^a Maya Dukmosova, “The Secret History of Illinois’s Rent Control Prohibition,” *Chicago Reader*, May 16, 2017, <https://www.chicagoreader.com/chicago/illinois-rent-control-prohibition-history/Content?oid=26517042>.

^b “Rent Control Laws by State,” National Multifamily Housing Council, September 2, 2020, <https://www.nmhc.org/research-insight/analysis-and-guidance/rent-control-laws-by-state/>.

^c “Rent Control Laws by State,” NMHC.

^d Katie Galioto, “With 9,000 Signatures in Hand, St. Paul Housing Advocates Campaign for Rent Control,” *Star Tribune*, June 15, 2021, <https://www.startribune.com/with-9-000-signatures-in-hand-st-paul-housing-advocates-campaign-for-rent-control/600068443/>.

Rent control has two primary goals: preventing rapid rent increases and keeping qualifying units below market rate. However, rent control has also been used for addressing concerns surrounding speculative real estate investment, maintaining economic and racial diversity, and providing renters with housing habitability and stability (Chew and Treuhaft 2019). Instead of relying on government subsidies, rent control uses private landlords and developers as stakeholders responsible for the provision of affordable housing. This theory of change is similar to that of inclusionary zoning, a policy whose components we explore in “Inclusionary Zoning: How Different IZ Policies Affect Tenant, Landlord, and Developer Behaviors” (Stacy et al. 2021).

The impact of rent control regulations depends on the institutional features of the policy and the local housing market conditions where they are implemented (Been, Ellen, and House 2019). For instance, some rent control policies allow for vacancy decontrol. Other policies ban vacancy decontrol and thus yield different results (Nagy 1997). Studies that treat all rent control regulations the same may mask the heterogeneous effects of different policies and limit their ability to inform policy and improve lives. Therefore, it is important to study not only rent control broadly but also how it is designed and implemented.

Rent Control Policy Components

Iterations of policy enactment and reforms over time have made the specific features of rent control and their implementation vary widely between jurisdictions. Understanding the diversity of policy components and their potential effect on affordable housing supply is essential to creating equitable and targeted programs.

Rent control regulations generally have five policy components, as seen in table 1 and discussed in greater detail below.

TABLE 1

Components of Rent Control Regulations

Component of regulation	Definition
Permitted rent increases	The maximum rent or increase in rent that a landlord can charge to a tenant and how such increases are determined (e.g., pegged to the consumer price index, a flat increase, the consumer price index plus a percentage, a nominal amount, or decided by board).
Types of housing covered	Characteristics that make rental housing ineligible for rent regulation. Examples may include new market-rate construction, buildings built after a set year, inclusion after a certain number of years post-development (e.g., 10 years after construction), developments with substantial recent renovations, or properties under a certain unit count.
Unit decontrol	The process through which a unit or building becomes deregulated. This includes vacancy decontrol, by which a unit is raised to market rate or becomes unregulated after vacancy, as well as condominium conversions and building sales, by which landlords convert or sell their properties to remove them from the market.
Exceptions to rent caps	Individualized increases granted to owners under certain conditions, such as cost pass-throughs for improvements or appeals for right to fair returns.
Tenant protections	Many program features incentivize tenant harassment and evictions. Recent policies have included just-cause eviction and protection against harassment by landlords.

Source: Authors' compilation of rent control regulations.

To better understand these policy components and their implications for stakeholder behaviors, we interviewed 23 community leaders, tenant advocates, policymakers, landlords, researchers, and developers. Opinions varied on which policy components had the largest effect on the supply of affordable housing and overall housing supply. The components most frequently mentioned as important by interviewees were permitted rent increases, harassment and eviction protections, vacancy decontrol and building sales, and the housing types included in the regulation (table 2).

TABLE 2

Rent Control Policy Components Most Frequently Mentioned, by Stakeholder Group

Urban planners	Politicians	Landlords and developers	Nonprofit developers	Housing policy researchers	Tenant advocates and organizers
Permitted rent increases	Permitted rent increases	Unit decontrol	Types of housing covered	Permitted rent increases	Unit decontrol
Tenant protections	Types of housing covered	Permitted rent increases	Permitted rent increases	Unit decontrol	Permitted rent increases
Unit decontrol		Types of housing covered		Exceptions to rent caps	Tenant protections

Source: Authors' interviews with rent control policy stakeholders.

Permitted Rent Increases

The rate at which landlords can increase rents is a core component of a rent regulation. Increases are set using a fixed formula determined by a state or local housing agency, or they are determined each year or in some other interval by a rent control board. Programs with formula-based rent increases use a few common methods to set their yearly increases, such as the following:

- increases equal to the full amount of the annual consumer price index (e.g., Los Angeles; Newark, New Jersey)
- increases equal to a percentage of the annual consumer price index (e.g., West Hollywood, California; Cambridge, Massachusetts)
- changes in the cost of living throughout the duration of a lease (e.g., Jersey City, New Jersey)

Annual rent increases can also be influenced by the political landscape within a jurisdiction if rents are set by elected or appointed rent boards. For example, in New York City, the Rent Guidelines Board is made up of nine members, all appointed by the mayor, who vote on yearly rent increases. A recent report found large differences in the average yearly increases between administrations, with current Mayor Bill de Blasio's board much more likely to vote for freezes compared with the board appointed by former Mayor Michael Bloomberg (Stein 2021). One landlord of small properties whom we interviewed stated that what small local landlords perceived as overly restrictive rent control boards and measures cause those unable or unwilling to accept lower profits to sell.

We don't have big, giant Jared Kushner-type guys like they have in New York. I wouldn't be surprised to see those guys come here if people like me say, "Oh, screw this. This isn't worth it. I don't want to deal with all these rent boards telling me what to do and what I can charge. I can't get rid of somebody that's screwing around in the neighborhood or causing trouble and having the cops called on them all the time. I'll just sell them. I'll sell them to Jared Kushner and let people deal with him."

—Landlord

A more recent form of rent control, referred to as antigouging statutes, sets high maximum rent increase caps statewide. Used in California and Oregon, antigouging measures aim to prevent both gentrification and homelessness caused by steep rent hikes, which occur disproportionately in lower-cost units and for low-income renters.³ California and Oregon rent caps—at 7 and 5 percent plus inflation, respectively—are higher than the typical yearly rent increases of 1 to 3 percent allowed in other rent-controlled jurisdictions.

Some housing policy researchers and developers believe that antigouging caps allow for needed flexibility within markets and will not hinder construction and that the simplicity eases the administrative burden of statewide implementation. But in California, tenant organizers stated that Assembly Bill 1482, California's antigouging policy, was too high to prevent displacement of low-income and economically precarious renters. One tenant advocate explained, "Increases of only 2 or 3 percent are what often cause people to lose their homes." This raises the largely unstudied questions of what level of yearly rent increase allowance improves housing stability and how this decision affects low-income renters and renters of color. Pinpointing the optimal yearly increase is particularly important because rent control does not include participant-level targeting, which is discussed more in box 2.

BOX 2

The Role of Means Testing in Rent Control

Because rent control is a blanket policy without a targeting mechanism, such as the means testing or income restrictions used in inclusionary zoning, some policymakers and researchers have questioned whether rent control can even be considered an affordable housing policy solution. As one member of our project's advisory group reflected, "Affordability is a measure of price relative to income; rent control only addresses price." We outline common sentiments for and against means testing policies shared by interviewees below.

Critics, including real estate lobby representatives and some housing policy researchers, argued that its lack of targeting makes rent control inefficient and provides subsidies for tenants who do not necessarily need them.

- "You could have a doctor and their partner making \$300,000 a year benefiting from the lower rent and caps, whereas someone making minimum wage is forced into a more expensive unit. It doesn't truly ensure low-income renters are the beneficiaries."
- "[In Washington, DC,] we have a lot of couples and singles that earn more than families and are bidding on the same homes. Rent control supports residents without any attention paid to income."

On the other hand, tenant advocates and other researchers believe its broad application is essential to rent control's strengths. They say rent control, used as a consumer protection policy, encourages neighborhood stability, reduces bureaucracy and administrative costs, and eliminates potentially exclusionary renter vetting requirements.

- "Means testing isn't the issue. Everybody needs low-cost housing if you want a better society. [If you use means testing,] then what happens to people who are middle income and they lose their jobs? We want to make housing less of a commodity and more of a community asset, or we're not going to have stable communities. We don't have communities because people can't stay where they are."
- "[Inclusionary zoning] is very heavily means-tested, but that has created so many procedural hurdles that make it difficult for people to access housing. I think [the lack of means testing] is a strength of rent control because there aren't these procedural hurdles or the hurdles of discrimination, having to provide documentation—it's just a normal person trying to find housing."

Types of Housing Covered

The most common criteria used to determine whether a property is covered by a rent control regulation are the age and size of the property and the landlord's portfolio. Policymakers generally try to include as much of the rental housing stock as possible within the regulation. Broad inclusion is then often challenged by the developer and real estate lobbies that believe rent control may dampen new development, unfairly burden small landlords, or reduce their profit margins. These negotiations and subsequent trade-offs have meant that most rent control policies exempt new construction, exempt buildings constructed after a certain date, or offer a grace period before a building is incorporated into the controlled stock.

Some tenant advocates and housing policy researchers stated that excluding new or more recently constructed buildings unnecessarily limits rent control's coverage. The number of apartment units constructed, they contend, is more strongly linked to existing exclusionary land-use policies, market conditions, and economic cycles than it is to rent control. Indeed, research comparing jurisdictions in New Jersey with and without rent control found no relationship between rent control and the number of units constructed (Gilderbloom and Ye 2007). Another study comparing construction rates before and after the end of rent control in the Massachusetts localities of Boston, Brookline, and Cambridge found the policy did not significantly affect short-term construction rates (Sims 2007). Such findings could suggest that the reduction in rental units found in other studies is driven predominantly by condominium conversions rather than by reduced construction, although this question requires more research.

Tax exemptions are also used to add units in recently constructed buildings to the controlled stock, and this opt-in method addresses fears of stymied construction. For example, the Affordable New York program, commonly referred to as 421-a, provides developers with a subsidy to place their units under rent regulation. Similarly, the city's J-51 exemption and abatement program subsidizes renovations or conversions of industrial or commercial spaces into apartments under the condition the buildings remain stabilized for 20 years.⁴ Tax exemption programs incentivize additional controlled housing supply. However, one housing policy researcher and advocate described the exemptions as overly generous and "a monumental giveaway to developers," as rents are still initially set at market rates and arguably "produce rent-stabilized housing that's not necessarily affordable at all." Rent control provisions can also be placed temporarily on buildings that were developed using other tax credits or exemptions but are transitioning to market rate (box 3).

BOX 3

Placing Expiring LIHTC Properties under Rent Control Can Prevent Rapid Rent Increases

The Low-Income Housing Tax Credit (LIHTC) program is one of the largest federal sources of new affordable rental housing in the US. Tax credits are given to private and nonprofit developers to build or rehabilitate projects so long as a portion of units are kept affordable (usually accessible to residents whose incomes are below 60 percent of the area median income) for 15 to 30 years, at which point the developers can convert the units to market rate. Many of these affordability requirements are set to expire, with more than 485,000 LIHTC units set to reach 30 years between 2020 and 2029.

Now, some states and jurisdictions are trying to prevent rapid rent increases from displacing LIHTC tenants—disproportionately people with low incomes, people of color, and seniors—by placing these buildings under rent stabilization. In Massachusetts, state legislators placed these buildings under temporary rent stabilization, creating a rent cap on government-assisted properties in the first three years after their affordability requirements expire.^a

^a Bob Katzen, “Beacon Hill Roll Call: Nov. 23–27, Retain Affordable Housing (S 2190),” *Somerville Times*, December 8, 2009, <https://reading.wickedlocal.com/article/20091208/NEWS/312089414>.

Most rent control regulations limit coverage by the number of units within a building and generally exclude small buildings and single-family homes. This limit is intended to exclude small landlords, who are more likely to own these properties and to sell or convert their properties into condominiums. This exclusion raises equity concerns; single-family homes have become an increasingly larger share of the rental housing stock, particularly in racially diverse neighborhoods, and their tenants are more likely to have children living in poverty (Pfeiffer, Schafran, and Wegmann 2020). And some large landlords own many small units, allowing them to evade rent control regulations. Washington, DC, uses an alternative approach that bases coverage on the size of the owner’s portfolio, rather than on the number of units within a building, in an attempt to exclude small landlords from regulation. Similarly, California’s 2019 Tenant Protection Act differentiates between small landlords and investors by ensuring that real estate investment trusts and corporate owners of single-family rentals are included in the coverage.

Manufactured homes, whose 22 million renters and owners in the US are disproportionately lower-income than their single-family and multiunit owner and renter counterparts, are also increasingly covered by rent control policies.⁵ A housing policy researcher explained that the addition of manufactured homes to rent control policy coverage in New York via the Housing Stability and Tenant Protection Act of 2019 was an important step toward equitable coverage of housing types in the state. The researcher explained that manufactured homes are generally not as well regulated as large-scale apartment buildings but face similar rent hikes on the land they occupy. “The same investors that were buying up rent-stabilized properties to decontrol them were buying up these manufactured home parks to raise rents on RV tenants,” the researcher said. “While manufactured home residents are in some ways homeowners, they are also land tenants.”

Removal of Units from Rent Control

Buildings or units are removed from rent control's coverage in two main ways: vacancy decontrol and condominium conversions. Vacancy decontrol is a common method of unit decontrol, with one study of rent regulations in New Jersey finding that three-quarters of all city-level legislation contained some form of vacancy decontrol (Goetz et al. 2021). Similarly, vacancy bonuses allow landlords to raise rents by a much higher percentage than previously allowed by the permitted rent increase, but the units remain part of the controlled stock.

Generally, the landlords, developers, and property management representatives we interviewed support vacancy decontrol because they believe that without it, landlords would not have enough of an incentive or return on investment and that housing supply could be reduced. One landlord believes vacancy decontrol makes rent control more palatable: "The rent control itself is not that big of a deal [if it allows for vacancy decontrol]." But the landlord went on to say that vacancy decontrol does affect tenant selection: "We do like students. Number one, they leave...I always do raise the rents to market rates when they leave. The best tenants are the people that pay the most." In this case, vacancy decontrol rewards landlords for choosing students or highly mobile tenants over longtime community members or families and allows them to subsequently raise rents and prioritize higher-income tenants.

Tenant selection bias is not the only negative impact of vacancy decontrol from the perspective of renters; it is also known to incentivize tenant displacement. One housing researcher and tenant advocate explained: "Laws were improved in New York to get rid of what we call the eviction bonus, which the landlords call the vacancy bonus, that allowed for up to a 20 percent rent increase just between tenants. With that in place, a landlord would be incentivized to churn through tenants." This displacement may be through eviction or other indirect and informal means, such as delayed maintenance or not renewing a lease.

Removing vacancy decontrol was also frequently mentioned by interviewees as being fundamental to positive housing stability outcomes for tenants of color. Studies have shown that cities with vacancy control—places where rent control remains in place at the same level even after a tenant is replaced—experienced an increase in their share of Black and Latinx renters and were generally more affordable to low-income households. Conversely, jurisdictions with vacancy decontrol were less affordable and disproportionately displaced Black renters (Heskin, Levine, and Garrett 2007).

Significant evidence also exists that rent control policies have led to an overall reduction in rental units through condominium conversions, building sales, and owner move-ins (whereby owners evict tenants to occupy the unit or allow a family member to occupy the unit). In San Francisco, rent control was associated with mass condominium conversions, and apartment buildings under rent control were 10 percent more likely to be converted to condominiums than noncontrolled buildings (Diamond, McQuade, and Qian 2018). But some housing researchers say attributing this phenomenon solely to rent control creates an oversimplified causal correlation that ignores other external factors such as fluctuating building costs, shifting demographics, and local land use and zoning policy (Chew and Treuhaft 2019). Now, San Francisco limits condominium conversions to 250 annually. One interviewee

noted, however, that property owners still find ways to work around the policy: “[The way] in which they convert property in cities like San Francisco is to hold property as tenancy in common. So six people will buy a building together, and each will have their own agreements and occupy different units, so they’re technically not condos, but they operate like them.” Other jurisdictions have passed reforms to address such policy loopholes and prevent decontrol or loss of additional affordable rentals:

- In Mountain View, California, an ordinance prevents condominium conversions until the city has a certain number of apartments in the housing stock.
- In Cambridge, Massachusetts, conversion applications must be submitted three years ahead of time.
- In San Jose, California, selling a property does not trigger any change in rent control, and demolition is the only way a landlord can remove a property.

While some loss of units is inevitable in places with rent control policies that allow deregulation through condominium conversion, building sales, and owner move-ins, program managers stressed that localities need to assess and project net controlled unit counts to ensure well-funded and sustainable programs. For example, many jurisdictions—including San Jose and Berkeley in California—levy yearly per unit registration fees on all stabilized units to pay for local government rent stabilization programs. This means that funding for successful program operation and implementation depends on maintaining a somewhat stable count of controlled units.

Tenant Protections

To address the harassment, retaliation, and evictions incentivized through vacancy decontrol and condominium conversions, recent rent control policy reforms and enactment efforts have included tenant protection measures or have been paired with tenant protection ordinances. The most common tenant protection is just-cause eviction, which allows a landlord to file an eviction against a tenant only under certain conditions, usually limited to cases of nonpayment of rent, major and repeated lease violations, or illegal activity. Sometimes just-cause eviction protections apply only to rent-controlled units, and sometimes they are passed as separate regulations that apply to all rental units within a local jurisdiction or state.

Many jurisdictions also differentiate between evictions that are the “fault” of the landlord and evictions that are the “fault” of the tenant. For example, California’s and Oregon’s statewide tenant protection laws require that when an eviction is the fault of the landlord (e.g., when the landlord intends to sell or withdraw the property, to occupy the property, or to substantially renovate the property), the landlord must compensate the tenant. Compensation can take the form of rent waivers or relocation assistance as a flat fee or a cumulative number of months’ rent.

While reducing the incentives for landlords to file formal evictions is crucial, both landlords and tenant advocates acknowledged that landlords have other ways of forcing tenants to move so they can raise rents. One housing policy researcher pointed out, “The landlord doesn’t have to evict them, they

can just choose to not renew their lease if they think somebody else will come in and pay more.” Formal eviction filings, which are often costly and time-consuming for landlords, are not necessary in the absence of guaranteed lease renewal. Some cities have enacted guaranteed lease renewals to address this.

Landlords may also pressure and harass tenants to leave or reduce services and maintenance to rent-controlled units. “Antiharassment ordinances are really critical,” explained a housing policy researcher and tenant activist. “This makes it so tenants are actually able to secure their rights without retaliation. Rent control and guaranteed lease renewal means that you are not going to get evicted because the landlord doesn’t like you, or you had a kid, or you moved in with your roommate, or you complained because the heat was out during winter.” Closing these loopholes undoubtedly has high administrative costs, and programs will only successfully address these policy gaps if code enforcement, antiharassment, and just-cause eviction enforcement programs are concurrently passed, well funded, and sufficiently staffed. Therefore, removing vacancy decontrol may be the only way to ensure that tenants are not pushed out of units unfairly.

Exceptions to Rent Caps

Exceptions to rent caps, such as the following, were not frequently identified by interviewees and project advisory group members as being likely to have a large effect on overall and affordable housing supply or on differential outcomes for tenants with low incomes or tenants of color:

- **Cost pass-throughs for maintenance or capital improvements.** In some jurisdictions, landlords can request to surpass an allowable rent increase to recoup losses related to building maintenance or improvements. While these provisions were meant to address property quality and maintenance concerns, particularly for small landlords, one landlord representative stated that these exceptions are often difficult to apply for and receive: “Landlords put double-pane windows. They fixed balconies, railings, decks, repaired the roof and made other improvements that they had to make...There is a very complicated bureaucratic process for this owner to go through to justify why they may need an additional \$200 a month.” Some tenant advocates counter that these improvements and subsequent pass-throughs can be unnecessary and overburden tenants, but regulations that limit the amount a landlord is allowed to recoup and which repairs qualify can also be determined locally.
- **Right to fair return.** To ensure landlords have sufficient cash flow, nearly every jurisdiction has some form of “reasonable” return or guarantees to landlords. These hardship petitions seeking approval to raise rents over the standard permitted rent increases are usually granted, and the subsequent increases are typically calculated as a measure of income the property generates against the approved operating costs and valuation. In Washington, DC, for example, landlords can file a petition if they earn anything less than a 12 percent rate of return on their investment property.

Rent Control's Spillover Effects Can Challenge Unequal Power Dynamics

We find that dominant theories and frequently referenced rent control research still center the basic economic theory that price caps limit supply. Unfortunately, this theory overlooks important positive effects of rent control for tenants, as one tenant advocate explained: "Having stability in your home is crucial for people's lives and futures, as well as their emotional, family, neighborhood ties. I think some of the hidden gems are that the policy does build stronger civic leadership." The stability and subsequent strong social ties resulting from rent control have often created political and social support networks that allowed tenants to increase their engagement and advocate for their rights.

Renters, particularly low-income renters and renters of color, are less politically represented and engaged than are their homeowner counterparts in formal land use, zoning, and overall policymaking processes (Einstein, Ornstein, and Palmer 2019; Trounstein 2020). Tenant advocates we interviewed said renters in regulated units build stronger social networks, tenant associations, and unions. One advocate explained: "Rent control has made a key difference in challenging the power imbalances not only between tenants and landlords but [also in] increasing civic engagement." These organizations, many of which were formed to push for rent control's passage or stronger policy provisions, also provided critical knowledge, resources, and support for renters who had not previously been involved in other forms of housing policy advocacy or formal land-use planning and zoning decisionmaking channels.

Tenants in rent-controlled units, particularly those with strong just-cause eviction protections, may also be more likely than renters in unregulated units to challenge landlord harassment and insist on unit repairs. While landlords, developers, and some housing policy researchers stated that rent control may lead to declines in property maintenance for controlled units, tenant advocates countered that stabilization helps mitigate landlord-tenant power imbalances and gives tenants needed social support. As one tenant advocate explained, "Rent-stabilized tenants will speak up when there's a problem in their building in a way that not-rent-stabilized tenants won't."

Challenges to the Equitable Provision of Affordable Housing Are Tied to External Market Factors

The diversity of stakeholder experiences and opinions, along with largely varied and inconclusive empirical evidence, means that broad statements about the overall efficacy of rent control are unproductive at best. One takeaway is that external economic cycles and local housing market landscapes are more clearly tied to housing production and market-rate supply trends than is rent control alone. One advocate and housing policy researcher emphasized that the housing conditions and racialized market factors that lead tenants and activists to advocate for rent control are overlooked when rent control is causally attributed to decreases in housing affordability and supply:

It was a convergence of factors that weakened housing affordability over the years. What about gentrification pressures and not enough affordable housing production? What about the financialization of housing—government policies that have fused real estate with Wall Street’s financial markets, fueling and deregulating speculation? What about the loopholes and weaknesses in tenant protections, including how landlords gutted rent stabilization? We can observe effects but need to consider the causes more broadly.

Land-use and zoning codes, as well as building codes, were noted as the biggest barriers to increasing production of both affordable and market-rate housing. Increased bureaucratic hurdles such as permitting fees or long and conditional approval processes can slow production and increase costs.

I’m going to say that 40 years ago, when I first started being a building contractor, I could walk into the county building with a plan that was basically three pages. I would walk out with a permit, and it would cost me about \$200, in an hour, one hour. Now, it would take you, probably, at least four to six months to get a permit, which would cost you \$30,000.

—Contractor

Researchers and policymakers interested in rent control’s potential impact on housing supply might also examine the effects of existing land-use and zoning regulations on affordable housing production.

Enacting rent control in tandem with supply-side policy solutions, such as reducing exclusionary zoning and land-use policies, can help address fears of zoning-induced displacement and lead to better place-based planning. A housing policy researcher and advocate explained:

Good urban planning gets translated very quickly into rent increases. The expansion of transit, sustainability initiatives, all sorts of things that neighborhoods want, you can actually take out the secondary spillover effects of land-use decisions by having strong rent control systems. I have been a critic of up-zonings in working-class neighborhoods in large part because it can have this displacement pressure on neighboring sites. If we had a strong enough rent control system, that would be much less of a concern and we could start having smarter discussions about what we want our land-use systems and growth to look like.

When passed in conjunction with other housing policies to address housing affordability, stability, and sufficient supply, rent control may resolve potential competing housing policy priorities.

Implementation Is Key to Equitable Programs

Decisions about how to administer, enforce, and communicate to renters and landlords about rent control programs are critical to ensuring equitable tenant outcomes. But implementation, enforcement, and tracking are not necessarily part of a regulation itself. We outline examples and considerations in the sections below.

Administration and Enforcement

Decisions about who will govern, administer, and enforce rent control can mitigate or compound existing unequal tenant-landlord power dynamics. For example, Oregon's statewide antigouging rent cap has no formal administrative body that supports compliance. This leaves enforcement to tenants alone, as complaints can be resolved only when a tenant initiates a lawsuit against a landlord. This effectively leaves only the tenants who have the time, background knowledge, and resources to take their landlords to court able to securely enforce this provision.

Even programs with elected or appointed boards or existing governing bodies are generally reliant on tenant-initiated complaints. One program manager noted that renters who are undocumented were less likely than renters with citizenship to use the locality's tenant-initiated system, as the gap between reporting and enforcement leaves ample time for landlord retaliation. In New York, for example, it took the Office of Rent Administration an average of 24 months to get an overcharge case assigned to an examiner.⁶

Education and Program Tracking

Recent rent control policies often have additional features to address negative outcomes from previous policy iterations. While closing loopholes creates targeted policies, it can also make them more complicated. Dense regulations are hard for both landlords and tenants to understand, which can leave landlords to accidentally fall into noncompliance or tenants unable to assert their rights. "There are just all these little loopholes everywhere," a landlord explained. "It's always going to be incremental, and pretty soon, you have people on the side, people that actually provide houses, saying, 'This isn't worth it.'" Oakland, California, counters these concerns by proactively offering rent stabilization workshops for small property owners, along with workshops geared toward teaching tenants their rights under the law.

Tenants and landlords find their administrative burdens eased when localities track data about landlords, rents, and buildings subject to rent control. In San Jose, California, when tenants believed their landlord raised their rent to illegal levels, they had to initiate a petition to the city themselves. This changed in 2015 when the mayor and city council requested the rent stabilization program division to begin a rental property registry that tracked controlled apartments, tenancy, and allowable increases through an online portal. These data were also paired with property-level eviction data. As the program manager explained, "It's helpful because it gives us a little bit more clarity as to what's happening for rent-controlled units...We're not trying to dig up information to use against anybody, we just want to

make sure whatever laws we do have in place are assisting the community.” The registry not only shifted the compliance responsibility from the tenant to the city but also gave the city valuable data to track and monitor the program.

Conclusion

Tenant advocates and organizers are leading a push for new rent control policies alongside efforts to repeal statewide restrictions and preemption. This has increased interest in the ability of different program design options to achieve specific housing goals. But even for cities such as New York or San Francisco that have been studied thoroughly, virtually no data or analysis has highlighted the causal effects of reforms over time and how these gradual shifts can result in varying affordable housing outcomes. For example, cities within New Jersey saw their rent control regimes watered down by small changes throughout the early 2000s, making the policy significantly less restrictive (Ambrosius et al. 2015). Yet no one has extensively examined the effects of various reforms across and between jurisdictions on the supply of and access to housing that is affordable for people of color and low-income renters.

To help inform the debate about rent control, we will use what we learned through this qualitative research and employ machine-learning methods to collect data on rent control reforms from newspaper articles across the country. We will then use panel data econometric techniques to estimate the impact of rent control reforms on housing supply, housing affordability, and access to high-opportunity neighborhoods for people of color and residents with low incomes.

Notes

- ¹ Inclusionary zoning is a housing policy that offers incentives or mandates that developers set aside a share of units in new developments to be rented or sold at below-market rates. Some IZ policies also give developers the option of paying an in-lieu fee instead of developing actual affordable units or building the units in a different location from the primary development.
- ² See Downs (1988), Friedman and Stigler (1946), Gyourko and Linneman (1989), and Olsen (1972) for examples of these early works.
- ³ While the speed and scale of implementation for rent control make it effective at quickly addressing private market affordability concerns, there are often immediate negative impacts for renters in the gap between policy passage and implementation. Between California’s statewide antigouging bill’s passage in September 2019 and its enactment in January 2020, tenants’ rights advocates reported increased instances of renter displacement as landlords hiked rents and refused to renew long-term leases in anticipation of the cap.
- ⁴ “Tax Abatements and Exemptions FAQ,” NYC Rent Guidelines Board, accessed August 14, 2021. <https://rentguidelinesboard.cityofnewyork.us/resources/faqs/tax-abatements-exemptions/>.
- ⁵ Jung Hyun Choi and Laurie Goodman, “22 Million Renters and Owners of Manufactured Homes Are Mostly Left Out of Pandemic Assistance,” *Urban Wire* (blog), Urban Institute, August 21, 2020, <https://www.urban.org/urban-wire/22-million-renters-and-owners-manufactured-homes-are-mostly-left-out-pandemic-assistance>.
- ⁶ “New Rent Law Deluges Backlogged Tenant Overcharge Claims,” *AmNY*, October 1, 2019, <https://www.amny.com/news/new-rent-law-deluges-backlogged-tenant-overcharge-claims-2/>.

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Matthew Desmond, *Evicted: Poverty and Profit in the American City* (2016)

UNTIL RECENTLY, WE simply didn't know how immense this problem was, or how serious the consequences, unless we had suffered them ourselves. For years, social scientists, journalists, and policymakers all but ignored eviction, making it one of the least studied processes

affecting the lives of poor families. But new data and methods have allowed us to measure the prevalence of eviction and document its effects. We have learned that eviction is commonplace in poor neighborhoods and that it exacts a heavy toll on families, communities, and children.

Residential stability begets a kind of psychological stability, which allows people to invest in their home and social relationships. It begets school stability, which increases the chances that children will excel and graduate. And it begets community stability, which encourages neighbors to form strong bonds and take care of their block.⁷ But poor families enjoy little of that because they are evicted at such high rates. That low-income families move often is well known. *Why* they do is a question that has puzzled researchers and policymakers because they have overlooked the frequency of eviction in disadvantaged neighborhoods.⁸ Between 2009 and 2011, roughly a quarter of all moves undertaken by Milwaukee's poorest renters were involuntary. Once you account for those dislocations (eviction, landlord foreclosure), low-income households move at a similar rate as everyone else.⁹ If you study eviction court records in other cities, you arrive at similarly startling numbers. Jackson County, Missouri, which includes half of Kansas City, saw 19 formal evictions a day between 2009 and 2013. New York City courts saw almost 80 nonpayment evictions a day in 2012. That same year, 1 in 9 occupied rental households in Cleveland, and 1 in 14 in Chicago, were summoned to eviction court.¹⁰ Instability is not inherent to poverty. Poor families move so much because they are forced to.

Along with instability, eviction also causes loss. Families lose not only their home, school, and neighborhood but also their possessions: furniture, clothes, books. It takes a good amount of money and time to establish a home. Eviction can erase all that. Arleen lost everything. Lorraine and Scott too. Eviction can cause workers to lose their jobs. The likelihood of being laid off is roughly 15 percent higher for workers who have experienced an eviction. If housing instability leads to

employment instability, it is because the stress and consuming nature of being forced from your home wreak havoc on people's work performance.¹¹ Often, evicted families also lose the opportunity to benefit from public housing because Housing Authorities count evictions and unpaid debt as strikes when reviewing applications. And so people who have the greatest need for housing assistance—the rent-burdened and evicted—are systematically denied it.¹²

This—the loss of your possessions, job, home, and access to government aid—helps explain why eviction has such a pronounced effect on what social scientists call “material hardship,” a measure of the texture of scarcity. Material hardship assesses, say, whether families experience hunger or sickness because food or medical care is financially out of reach or go without heat, electricity, or a phone because they can't afford those things. The year after eviction, families experience 20 percent higher levels of material hardship than similar families who were not evicted. They go without food. They endure illness and cold. Evicted families continue to have higher levels of material hardship at least two years after the event.¹³

These families are often compelled to accept substandard housing conditions. In Milwaukee, renters whose previous move was involuntary were 25 percent more likely to experience long-term housing problems than similar renters who moved under less trying circumstances.¹⁴

And families forced from their homes are pushed into undesirable parts of the city, moving from poor neighborhoods into even poorer ones; from crime-filled areas into still more dangerous ones. Arleen's favorite place was nested in a working-class black neighborhood. After the city condemned it and forced her out, she moved into an apartment complex teeming with drug dealers. Even after controlling for a host of important factors, families who experience a forced move relocate to worse neighborhoods than those who move under less demanding circumstances.¹⁵ Concentrated poverty and violence inflict their own wounds, since neighborhoods determine so much about your life,

from the kinds of job opportunities you have to the kinds of schools your children attend.¹⁶

Then there is the toll eviction takes on a person's spirit. The violence of displacement can drive people to depression and, in extreme cases, even suicide. One in two recently evicted mothers reports multiple symptoms of clinical depression, double the rate of similar mothers who were not forced from their homes. Even after years pass, evicted mothers are less happy, energetic, and optimistic than their peers.¹⁷ When several patients committed suicide in the days leading up to their eviction, a group of psychiatrists published a letter in *Psychiatric Services*, identifying eviction as a "significant precursor of suicide." The letter emphasized that none of the patients were facing homelessness, leading the psychiatrists to attribute the suicides to eviction itself. "Eviction must be considered a traumatic rejection," they wrote, "a denial of one's most basic human needs, and an exquisitely shameful experience." Suicides attributed to evictions and foreclosures doubled between 2005 and 2010, years when housing costs soared.¹⁸

Eviction even affects the communities that displaced families leave behind. Neighbors who cooperate with and trust one another can make their streets safer and more prosperous. But that takes time. Efforts to establish local cohesion and community investment are thwarted in neighborhoods with high turnover rates. In this way, eviction can unravel the fabric of a community, helping to ensure that neighbors remain strangers and that their collective capacity to combat crime and promote civic engagement remains untapped.¹⁹ Milwaukee neighborhoods with high eviction rates have higher violent crime rates the following year, even after controlling for past crime rates and other relevant factors.²⁰

Losing your home and possessions and often your job; being stamped with an eviction record and denied government housing assistance; relocating to degrading housing in poor and dangerous neighborhoods; and suffering from increased material hardship, homelessness, depression, and illness—this is eviction's fallout. Eviction

does not simply drop poor families into a dark valley, a trying yet relatively brief detour on life's journey. It fundamentally redirects their way, casting them onto a different, and much more difficult, path. Eviction is a cause, not just a condition, of poverty.

Eviction affects the old and the young, the sick and able-bodied. But for poor women of color and their children, it has become ordinary. Walk into just about any urban housing court in America, and you can see them waiting on hard benches for their cases to be called. Among Milwaukee renters, over 1 in 5 black women report having been evicted in their adult life, compared with 1 in 12 Hispanic women and 1 in 15 white women.²¹

Most evicted households in Milwaukee have children living in them, and across the country, many evicted children end up homeless. The substandard housing and unsafe neighborhoods to which many evicted families must relocate can degrade a child's health, ability to learn, and sense of self-worth.²² And if eviction has lasting effects on mothers' depression, sapping their energy and happiness, then children will feel that chill too. Parents like Arleen and Vanetta wanted to provide their children with stability, but eviction ruined that, pulling kids in and out of school and batting them from one neighborhood to the next. When these mothers finally did find another place to live, they once again began giving landlords most of their income, leaving little for the kids. Families who spend more on housing spend less on their children.²³ Poor families are living above their means, in apartments they cannot afford. The thing is, those apartments are already at the bottom of the market.²⁴ Our cities have become unaffordable to our poorest families, and this problem is leaving a deep and jagged scar on the next generation.

ALL THIS SUFFERING is shameful and unnecessary. Because it is unnecessary, there is hope. These problems are neither intractable nor eternal. A different kind of society is possible, and powerful solutions are within our collective reach.

24. In other markets, when a commodity gets too expensive, people can buy less of it. When the price of oil shoots up, people can drive less. ... But when the price of rent and utilities rises, most poor Americans do not have the option of consuming cheaper or smaller housing, because it doesn't exist in their city. . .

But those solutions depend on how we answer a single question: do we believe that the right to a decent home is part of what it means to be an American?

The United States was founded on the noble idea that people have “certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.” Each of these three unalienable rights—so essential to the American character that the founders saw them as God-given—requires a stable home.

Life and home are so intertwined that it is almost impossible to think about one without the other. The home offers privacy and personal security. It protects and nurtures. The ideal of liberty has always incorporated not only religious and civil freedoms but also the right to flourish: to make a living however one chooses, to learn and develop new skills. A stable home allows us to strive for self-reliance and personal expression, to seek gainful employment and enjoy individual freedoms.

And happiness? It was there in the smile that flashed across Jori’s face when Arleen was able to buy him a new pair of sneakers, in the church hymn Lorraine hummed when she was able to cook a nice meal, in the laughter that burst out of the Hinkstons’ house after a good prank. The pursuit of happiness undeniably includes the pursuit of material well-being: minimally, being able to secure basic necessities. It can be overwhelming to consider how much happiness has been lost, how many capabilities snuffed out, by the swell of poverty in this land and our collective decision not to provide all our citizens with a stable and decent place to live.

We have affirmed provision in old age, twelve years of education, and basic nutrition to be the right of every citizen because we have recognized that human dignity depends on the fulfillment of these fundamental human needs. And it is hard to argue that housing is not a fundamental human need. Decent, affordable housing should be a basic right for everybody in this country. The reason is simple: without stable shelter, everything else falls apart.

HOW CAN WE deliver on this obligation? The good news is that much has already been accomplished. America has made impressive strides over the years when it comes to housing. In generations past, the poor crowded into wretched slums, with many apartments lacking toilets, hot water, heat, or windows.²⁵ Death and disease were rampant. Over the generations, the quality of housing improved dramatically. And to address the problem of affordability, bold and effective programs were developed. In the middle part of the twentieth century, housing was at the forefront of the progressive agenda. High-rise housing projects were erected to replace slums, sometimes in a single, massive sweep. “Cutting the ribbon for a new public housing project was an occasion to celebrate,” the late housing economist Louis Winnick remembered. “Big-city mayors and aldermen trolled for votes by pledging a towering public housing project for the ward.” When public housing residents saw their apartments—all airy and new, nested in complexes surrounded by expansive grassy fields and playgrounds—they were thrilled. “It is a very beautiful place,” one said, “like a big hotel resort.”²⁶

But soon the great towers erected to replace slums became slums themselves. After politicians choked off funding, public housing fell into a miserable state of disrepair. Broken windows, plumbing, and elevators stayed that way; outside, sewer openings were left uncovered and trash piled up. Families who could move did, leaving behind the city’s poorest residents. Soon, public housing complexes descended into chaos and violence. It got to the point where the police refused to go to St. Louis’s Pruitt-Igoe Towers, which would be demolished in front of a televised audience only eighteen years after the first residents moved in. Across the United States, the wrecking ball and dynamite stick visited other infamous housing projects, such as Chicago’s Robert Taylor Homes and Atlanta’s McDaniel-Glenn Homes—joyless towers casting shadows over segregated and desolate areas of their cities. Given what the projects had become, blowing them up was not only

the cheaper option; it was the most humane one, like bulldozing a house in which some unspeakable thing had once transpired.²⁷

Out of this rubble, the voucher program sprung to life. Whatever else vouchers were, they were not Pruitt-Igoe or Robert Taylor or all the other public housing complexes that had come to be synonymous with urban violence, bitter poverty, and policy failure. Today, the federally funded Housing Choice Voucher Program helps families secure decent housing units in the private rental market. Serving over 2.1 million households, this program has become the largest housing subsidy program for low-income families in the United States. An additional 1.2 million families live in public housing.²⁸ Cities such as Philadelphia, Seattle, and Oakland have reimagined public housing, often as low-rise, attractive buildings dispersed over several neighborhoods. By and large, both public housing residents and voucher holders pay only 30 percent of their income on rent, with government funds covering the remaining costs.²⁹

Public initiatives that provide low-income families with decent housing they can afford are among the most meaningful and effective anti-poverty programs in America. Not every public housing resident or voucher holder is poor—many are elderly or disabled; others have modest incomes—but every year rental assistance programs lift roughly 2.8 million people out of poverty. These programs reduce homelessness and allow families to devote more resources to health care, transportation—and food.³⁰ When families finally receive housing vouchers after years on the waiting list, the first place many take their freed-up income is to the grocery store. They stock the refrigerator and cupboards. Their children become stronger, less anemic, better nourished.³¹

But the majority of poor families aren't so lucky, and their children—children like Jori, Kendal, and Ruby—are not getting enough food because the rent eats first. In 2013, 1 percent of poor renters lived in rent-controlled units; 15 percent lived in public housing; and 17 percent received a government subsidy, mainly in the form of a rent-reducing voucher. The remaining 67 percent—2 of every 3

poor renting families—received no federal assistance.³² This drastic shortfall in government support, coupled with rising rent and utility costs alongside stagnant incomes, is the reason why most poor renting families today spend most of their income on housing.³³

Imagine if we didn't provide unemployment insurance or Social Security to most families who needed these benefits. Imagine if the vast majority of families who applied for food stamps were turned away hungry. And yet this is exactly how we treat most poor families seeking shelter.

A PROBLEM AS big as the affordable-housing crisis calls for a big solution. It should be at the top of America's domestic-policy agenda—because it is driving poor families to financial ruin and even starting to engulf families with moderate incomes. Today, over 1 in 5 of *all* renting families in the country spends half of its income on housing.³⁴ America can and should work to make its cities livable again.

Meaningful change comes in various shapes and sizes. Some solutions are slow-going and costly, especially those involving fundamental reform. Other solutions, smaller ones, are more immediately feasible. Consider the courts.

Legal aid to the poor has been steadily diminishing since the Reagan years and was decimated during the Great Recession. The result is that in many housing courts around the country, 90 percent of landlords are represented by attorneys, and 90 percent of tenants are not.³⁵ Low-income families on the edge of eviction have no right to counsel. But when tenants have lawyers, their chances of keeping their homes increase dramatically.³⁶ Establishing publicly funded legal services for low-income families in housing court would be a cost-effective measure that would prevent homelessness, decrease evictions, and give poor families a fair shake.

In the 1963 landmark case *Gideon v. Wainwright*, the Supreme Court unanimously established the right to counsel for indigent defendants in criminal cases on the grounds that a fair trial was impossible

without a lawyer. Eighteen years later, the court heard the case of Abby Gail Lassiter, a poor black North Carolinian, who appeared without counsel at a civil trial that resulted in her parental rights being terminated. This time, a divided court ruled that defendants had a right to counsel only when they risked losing their physical liberty. Incarceration is a misery, but the outcomes of civil cases also can be devastating. Just ask Ms. Lassiter.

Good lawyers would raise defenses tenants often don't, because they either are unaware of them or, like Arleen, are too nervous and intimidated to mount a strong argument. They would curb frivolous evictions and unchecked abuses and help prevent tenants from signing bad stipulations. If it weren't so easy to evict someone, tenants like Doreen and Patrice could report dangerous or illegal conditions without fearing retaliation. If tenants had lawyers, they wouldn't need to go to court. They could go to work or stay home with their children while their attorney made their case. And their case would actually be made.

Courts have shown little interest in addressing the fact that the majority of tenants facing eviction never show up. If anything, they have come to depend on this because each day brings a pile of eviction cases, and the goal of every person working in housing court, no matter where their sympathies lie, is just to get through the pile because the next day another pile will be there waiting. The principle of due process has been replaced by mere process: pushing cases through. Tenant lawyers would change that. This would cost money, not only in attorney salaries, but also in the hiring of more commissioners, judges, and clerks to handle the business of justice. Every housing court would need to be adequately funded so that it could function like a court, instead of an eviction assembly line: *stamp, stamp, stamp*.

It would be a worthwhile investment in our cities and children. Directing aid upstream in the form of a few hours of legal services could lower costs downstream. For example, a program that ran from 2005 to 2008 in the South Bronx provided more than 1,300 families with legal assistance and prevented eviction in 86 percent of cases. It

cost around \$450,000, but saved New York City more than \$700,000 in estimated shelter costs alone.³⁷ The consequences of eviction are many—and so are its burdens on the public purse.³⁸

The right to counsel in civil matters has been established around the world: not just in France and Sweden but also in Azerbaijan, India, Zambia, and many other countries we like to think of as less progressive than our own.³⁹ If America extended the right to counsel in housing court, it would be a major step on the path to a more fair and equitable society. But it would not address the underlying source of America's eviction epidemic: the rapidly shrinking supply of affordable housing.

IF WE ACKNOWLEDGE that housing is a basic right of all Americans, then we must think differently about another right: the right to make as much money as possible by providing families with housing—and especially to profit excessively from the less fortunate. Since the founding of this country, a long line of American visionaries have called for a more balanced relationship, one that protects people from the profit motive, “not to destroy individualism,” in Franklin D. Roosevelt's words, “but to protect it.”⁴⁰ Child labor laws, the minimum wage, workplace safety regulations, and other protections we now take for granted came about when we chose to place the well-being of people above money.

There are losers and winners. There are losers because there are winners. “Every condition exists,” Martin Luther King Jr. once wrote, “simply because someone profits by its existence. This economic exploitation is crystallized in the slum.”⁴¹

Exploitation. Now, there's a word that has been scrubbed out of the poverty debate.⁴² It is a word that speaks to the fact that poverty is not just a product of low incomes. It is also a product of extractive markets. Boosting poor people's incomes by increasing the minimum wage or public benefits, say, is absolutely crucial. But not all of those extra dollars will stay in the pockets of the poor. Wage hikes are tempered if rents rise along with them, just as food stamps are worth less

if groceries in the inner city cost more—and they do, as much as 40 percent more, by one estimate.⁴³ Poverty is two-faced—a matter of income and expenses, input and output—and in a world of exploitation, it will not be effectively ameliorated if we ignore this plain fact.

History testifies to this point. When the American labor movement rose up in the 1830s to demand higher wages, landed capital did not lock arms with industrial capital. Instead landlords rooted for the workers because higher wages would allow them to collect higher rents. History repeated itself 100 years later, when wage gains that workers had made through labor strikes were quickly absorbed by rising rents. In the interwar years, the industrial job market expanded, but the housing market, especially for blacks, did not, allowing landlords to recoup workers' income gains. Today, if evictions are lowest each February, it is because many members of the city's working poor dedicate some or all of their Earned Income Tax Credit to pay back rent. In many cases, this annual benefit is as much a boost to landlords as to low-income working families.⁴⁴ In fixating almost exclusively on what poor people and their communities *lack*—good jobs, a strong safety net, role models—we have neglected the critical ways that exploitation contributes to the persistence of poverty. We have overlooked a fact that landlords never have: there is a lot of money to be made off the poor.⁴⁵ The 'hood *is* good.

Exploitation thrives when it comes to the essentials, like housing and food. Most of the 12 million Americans who take out high-interest payday loans do so not to buy luxury items or cover unexpected expenses but to pay the rent or gas bill, buy food, or meet other regular expenses. Payday loans are but one of many financial techniques—from overdraft fees to student loans for for-profit colleges—specifically designed to pull money from the pockets of the poor.⁴⁶ If the poor pay more for their housing, food, durable goods, and credit, and if they get smaller returns on their educations and mortgages (if they get returns at all), then their incomes are even smaller than they appear. This is fundamentally unfair.

Those who profit from the current situation—and those indifferent to it—will say that the housing market should be left alone to regulate itself. They don't really mean that. Exploitation within the housing market relies on government support. It is the government that legitimizes and defends landlords' right to charge as much as they want; that subsidizes the construction of high-end apartments, bidding up rents and leaving the poor with even fewer options; that pays landlords when a family cannot, through onetime or ongoing housing assistance; that forcibly removes a family at landlords' request by dispatching armed law enforcement officers; and that records and publicizes evictions, as a service to landlords and debt collection agencies. Just as the police and the prison have worked to triage the ill effects of rising joblessness in the inner city (like social unrest or the growth of the underground economy), civil courts, sheriff deputies, and homeless shelters manage the fallout of rising housing costs among the urban poor and the privatization of the low-income housing market.⁴⁷

Landlords like to describe themselves as a special breed. But they are neither alone in making a living off the poor nor are they so different from the rest of us. Large-scale historical and structural changes have given urban landlords the opportunity to make good money, sometimes spectacular money, by providing housing to struggling families at a cost the law has deemed fair and just. If given the same opportunity, would any of us price an apartment at half of what it could fetch or simply forgive and forget losing thousands of dollars when the rent checks didn't arrive? Emphasizing the importance of exploitation does not mean haranguing landlords as greedy or heartless. It means uncovering the ironies and inefficiencies that arise when policymakers try to help poor families without addressing the root causes of their poverty. It means trying to understand landlords' and tenants' acceptance of extreme inequality—and our own.

Regardless of how landlords came to own property—sweat, intelligence, or ingenuity for some; inheritance, luck, or fraud for others—rising rents mean more money for landlords and less for tenants. Their

fates are bound and their interests opposed. If the profits of urban landlords were modest, that would be one thing. But often they are not. The annual income of the landlord of perhaps the worst trailer park in the fourth-poorest city in America is 30 times that of his tenants working full-time for minimum wage and 55 times the annual income of his tenants receiving welfare or SSI. There are two freedoms at odds with each other: the freedom to profit from rents and the freedom to live in a safe and affordable home.⁴⁸

THERE IS A way we can rebalance these two freedoms: by significantly expanding our housing voucher program so that *all* low-income families could benefit from it. What we need most is a housing program for the unlucky majority—the millions of poor families struggling unassisted in the private market—that promotes the values most of us support: security, fairness, and equal opportunity. A universal housing voucher program would carve a middle path between the landlord's desire to make a living and the tenant's desire, simply, to live.

The idea is simple. Every family below a certain income level would be eligible for a housing voucher. They could use that voucher to live anywhere they wanted, just as families can use food stamps to buy groceries virtually anywhere, as long as their housing was neither too expensive, big, and luxurious nor too shabby and run-down. Their home would need to be decent, modest, and fairly priced. Program administrators could develop fine-grained analyses, borrowing from algorithms and other tools commonly used in the private market, to prevent landlords from charging too much and families from selecting more housing than they need. The family would dedicate 30 percent of their income to housing costs, with the voucher paying the rest.

A universal voucher program would change the face of poverty in this country. Evictions would plummet and become rare occurrences. Homelessness would almost disappear. Families would immediately feel the income gains and be able to buy enough food, invest in

themselves and their children through schooling or job training, and start modest savings. They would find stability and have a sense of ownership over their home and community.

Universal housing programs have been successfully implemented all over the developed world. In countries that have such programs, every single family with an income below a certain level who meets basic program requirements has a right to housing assistance. Great Britain's Housing Benefit is available to so many households that a journalist recently reporting on the program asked, "Perhaps it is easier to say who does not get it?" "Indeed," came the answer. This benefit, transferred directly to landlords in most cases, ensures that paying rent does not plunge a family into poverty. The Netherlands' Housing Allowance operates in a similar way and helps provide good homes to nearly one-third of all its tenants. It has been remarkably successful at housing the country's poorest citizens.⁴⁹

There is a reason why these countries have come to rely on vouchers. Although vouchers are not everywhere the most efficient option—particularly in expensive cities—they are the best way to deliver a national program. In theory, you could solve the problem by expanding public housing, tax credits, homeownership initiatives, or developer incentives. But each of these options quickly confronts the problem of scale. Vouchers are far more cost-effective than new construction, whether in the form of public housing or subsidized private development. We can't build our way out. Given mounting regulatory and construction costs, offering each low-income family the opportunity to live in public housing would be prohibitively expensive. Even if it weren't, building that much public housing risks repeating the failures of the past, by drawing the nation's poorest citizens under the same roof and contributing to racial segregation and concentrated poverty.⁵⁰

Would a universal housing program be a disincentive to work? It is a fair and important question. One study has shown that housing assistance leads to a modest reduction in work hours and earnings, but others have found no effect.⁵¹ In truth, the status quo is much more of

a threat to self-sufficiency than any housing program could be. Families crushed by the high cost of housing cannot afford vocational training or extra schooling that would allow them to acquire new skills; and many cannot stay in one place long enough to hold down the same job. Affordable housing is a human-capital investment, just like job programs or education, one that would strengthen and steady the American workforce. By and large, the poor do not want some small life. They don't want to game the system or eke out an existence; they want to thrive and contribute: to become nurses (that was Vanetta's dream) or run their own charities (that was Arleen's). A stable home would extend to them the opportunity to realize those dreams.

Landlords in most states are not obligated to accept families with housing vouchers, and many don't because they shun extra building-code mandates or the administrative hassle. A universal voucher program would take their concerns seriously. Some building codes are critical to maintaining safe and decent housing; others are far less so. Enforcing a strict building code in apartments where voucher holders live can be an unnecessary burden on landlords and drive up costs.⁵² But even if code enforcement and program administration were made much more reasonable and landlord-friendly, some property owners—particularly those operating in prosperous areas—would still turn away voucher holders. They simply don't want to house "those people." If we continue to permit this kind of discrimination, we consign voucher holders to certain landlords who own property in certain neighborhoods. Doing so denies low-income families the opportunity to move into economically healthy and safe neighborhoods and hobbles our ability to promote integration through social policy. Accordingly, a universal voucher program would not only strive to make participation attractive to landlords, it would also mandate participation. Just as we have outlawed discrimination on the basis of race or religion, discrimination against voucher holders would be illegal under a universal voucher program.

A well-designed program would ensure a reasonable rent that rose

at the rate of inflation and include flexible provisions allowing landlords to receive a modest rate of return. It would also provide them with steadier rental income, less turnover, and fewer evictions. If we are going to house most low-income families in the private rental market, then that market must remain profitable. "The business of housing the poor," Jacob Riis wrote 125 years ago, "if it is to amount to anything, must be a business, as it was business with our fathers to put them where they are. As charity, pastime, or fad, it will miserably fail, always and everywhere."⁵³ And yet, housing is too fundamental a human need, too central to children's health and development, too important to expanding economic opportunities and stabilizing communities to be treated as simply a business, a crude investment vehicle, something that just "cashes out."

Making a universal housing program as efficient as possible would require regulating costs. Expanding housing vouchers without stabilizing rent would be asking taxpayers to subsidize landlords' profits.⁵⁴ Today, landlords overcharge voucher holders simply because they can. In distressed neighborhoods, where voucher holders tend to live, market rent is lower than what landlords are allowed to charge voucher holders, according to metropolitan-wide rent ceilings set by program administrators. So the Housing Choice Voucher Program likely costs not millions but billions of dollars more than it should, resulting in the unnecessary denial of help to hundreds of thousands of families. In fact, economists have argued that the current housing voucher program could be expanded to serve all poor families in America *without additional spending* if we prevented overcharging and made the program more efficient.⁵⁵

Even if we did nothing to make the voucher program more cost-effective, we still could afford to offer this crucial benefit to all low-income families in America. In 2013, the Bipartisan Policy Center estimated that expanding housing vouchers to all renting families below the 30th percentile in median income for their area would require an additional \$22.5 billion, increasing total spending on housing

assistance to around \$60 billion. The figure is likely much less, as the estimate does not account for potential savings the expanded program would bring in the form of preventing homelessness, reducing health-care costs, and curbing other costly consequences of the affordable-housing crisis.⁵⁶ It is not a small figure, but it is well within our capacity.

We have the money. We've just made choices about how to spend it. Over the years, lawmakers on both sides of the aisle have restricted housing aid to the poor but expanded it to the affluent in the form of tax benefits for homeowners.⁵⁷ Today, housing-related tax expenditures far outpace those for housing assistance. In 2008, the year Arleen was evicted from Thirteenth Street, federal expenditures for direct housing assistance totaled less than \$40.2 billion, but homeowner tax benefits exceeded \$171 billion. That number, \$171 billion, was equivalent to the 2008 budgets for the Department of Education, the Department of Veterans Affairs, the Department of Homeland Security, the Department of Justice, and the Department of Agriculture combined.⁵⁸ Each year, we spend three times what a universal housing voucher program is estimated to cost (in *total*) on homeowner benefits, like the mortgage-interest deduction and the capital-gains exclusion.

Most federal housing subsidies benefit families with six-figure incomes.⁵⁹ If we are going to spend the bulk of our public dollars on the affluent—at least when it comes to housing—we should own up to that decision and stop repeating the politicians' canard about one of the richest countries on the planet being unable to afford doing more. If poverty persists in America, it is not for lack of resources.

A UNIVERSAL VOUCHER program is but one potential policy recommendation. Let others come. Establishing the basic right to housing in America could be realized in any number of ways—and probably should be. What works best in New York might fail in Los Angeles. The solution to housing problems in booming Houston or Atlanta or Seattle is not what is most needed in the deserted metropolises of the Rust Belt or Florida's impoverished suburbs or small towns dotting the

landscape. One city must build; another must destroy. If our cities and towns are rich in diversity—with unique textures and styles, gifts and problems—so too must be our solutions.

Whatever our way out of this mess, one thing is certain. This degree of inequality, this withdrawal of opportunity, this cold denial of basic needs, this endorsement of pointless suffering—by no American value is this situation justified. No moral code or ethical principle, no piece of scripture or holy teaching, can be summoned to defend what we have allowed our country to become.