

RETHINKING LOCAL AFFORDABLE HOUSING STRATEGIES: LESSONS FROM 70 YEARS OF POLICY AND PRACTICE

VI. CONCLUSION: IMPLICATIONS FOR LOCAL HOUSING STRATEGIES

This final, concluding chapter offers a framework that local policymakers and practitioners can use to take advantage of the available evidence and thus craft housing strategies that make sense for their communities and regions.

A. Housing Strategies Should Be Tailored to Local Market Conditions

Housing needs and policy priorities differ from place to place, due to differences in housing market conditions, history, and political realities. Although this report has focused on a comprehensive set of affordable housing goals and the tools that can be used to achieve them, it does not make sense to implement the same strategy everywhere. In markets where population is growing rapidly and housing is in short supply, producing new affordable units might be a top priority. But in markets where the overall demand for housing is weak and vacancy rates are high, new units may not be needed, although poor households may still need help to afford the available housing.

A local—or metropolitan—housing strategy should be crafted to address current and expected market conditions. It is not sufficient simply to identify housing problems—local policymakers need to understand what is going on in the housing market to cause these problems. Then they can determine which goals make sense, and which should be the highest priority. Based on this information, a mix of programmatic initiatives can be crafted to promote the community's priority goals.

Since 1990, communities that receive housing block grants under the HOME program have been required to develop and submit housing plans as a condition of funding. More specifically, the National Affordable Housing Act of 1990 requires states and local jurisdictions that receive HOME funding to develop a Comprehensive Housing Affordability Strategy (CHAS). In 1993, the U.S. Department of Housing and Urban Development (HUD) linked the CHAS requirement to planning and administrative requirements for other programs, creating the Consolidated Plan (ConPlan). These plans are required to provide a fact-based analysis of local market conditions and trends, quantify the housing problems and needs of low- and moderate-income households, set priorities, and identify concrete strategies for allocating federal funding—in conjunction with state and local resources—to achieve the priority outcomes. Some jurisdictions have used the ConPlan process very effectively as a mechanism for strategic planning, and it offers an opportunity that more localities could exploit to systematically analyze and address their housing market circumstances (Turner et al. 2002).

Exhibit 5 illustrates how the basic goals of housing policy might be prioritized in two very different housing markets. We have exaggerated the contrast between these two hypothetical markets to make the point that priorities and strategies need to reflect local conditions and trends. In

City A, the regional economy is booming, unemployment is low, and incomes are rising. The population has been growing rapidly, with large numbers of immigrants from Latin America and Asia attracted by the region's job opportunities. Rents and house prices in some central-city neighborhoods are rising rapidly, creating affordability concerns for both low-income renters and moderate-income homeowners. Although welfare rolls have declined dramatically, a significant number of long-time recipients appear to face serious obstacles to finding and keeping jobs; many of them live in public housing.

The economic boom of the 1990s never really reached *City B*, where central-city unemployment remains high. Incomes are stagnant, and population continues to decline. Rents and house values are generally low. Many units are vacant, and some are deteriorating and even abandoned or boarded up. Nonetheless, because incomes are low, many households have difficulty finding decent housing they can afford. The central-city population is majority African American. The surrounding suburbs, which are predominantly white, historically have been unwelcoming to minorities. A substantial population of homeless individuals—mostly men—lives on the city streets and in shelters.

Exhibit 5: Strategic Priorities in Differing Market Contexts

Housing Policy Goals	Growing City A Priorities	Declining City B Priorities
Preserve and Expand the Supply of Good-Quality Housing Units	#1: Increase the stock of modestly priced rental and homeowner units in neighborhoods where demand is high	#7: Improve the condition of existing housing units at risk of being removed from the stock
Make Housing More Affordable and More Readily Available	#2: Help low-income renters and moderate-income home buyers with affordability problems	#1: Help low-income renters and moderate-income home buyers with affordability problems
Promote Racial and Economic Diversity In Residential Neighborhoods	#3: Promote opportunities for neighborhoods to become more racially and economically diverse and combat discrimination in housing transactions	#5: Assist minority families who want to move to the suburbs to overcome racial barriers, while making city neighborhoods more attractive to families of all races
Help Households Build Wealth	#6: Create homeownership opportunities for new immigrants, in neighborhoods where house values are rising	#6: Strengthen house values and appreciation rates for existing and new homeowners
Strengthen Families	#5: Reform public housing occupancy and rent rules to encourage two-parent families and reward work	#4: Provide targeted job training and job search assistance to residents of assisted housing
Link Housing With Essential Supportive Services	#4: Provide intensive self-sufficiency services for welfare-dependent families living in public housing	#3: Link supportive services with housing subsidies to provide permanent housing for homeless individuals and families
Promote Balanced Metropolitan Growth	#7: Encourage development of affordable housing in the suburbs as well as the city	#2: Promote reinvestment in central-city neighborhoods as an alternative to higher-cost suburban sprawl

In both of these markets, all seven of our basic housing policy goals are applicable, but their relative importance differs. In City A, expanding the stock of decent and affordable housing is the top priority, while no new units are needed in City B. Instead, City B should focus on making existing housing more affordable for low- and moderate-income residents and strengthening the local housing market by attracting more households to the city.

Just as cities and metropolitan areas differ, neighborhoods within the same jurisdiction often have very different housing circumstances and needs. Although local policymakers need to craft a strategy for the city or region as a whole, this strategy may call for different programmatic approaches in different neighborhoods. For example, a low-income neighborhood with moderate rents and house prices and relatively high vacancy rates may not need any new affordable housing construction, but could benefit from low-cost rehabilitation loans or down payment assistance to first-time home buyers. In contrast, it might be possible to boost the supply of affordable housing in a high-cost, high-demand neighborhood through inclusionary zoning regulations. To match

programmatic approaches to neighborhoods, local decision makers need information about current market conditions and trends—information that often can be assembled from a combination of national and local data sources (www.urban.org/nnip).

In virtually all communities nationwide, the magnitude of the housing need is likely to dwarf available resources. Thus, given local market conditions (and political realities), communities may adopt different strategic approaches. It is critical to align the strategy with local needs and the community's expectations for outcomes. For example, one community might decide to focus the bulk of its resources on its top one or two priorities, chipping away at these problems over an extended period of time. Another community might decide to focus instead on more narrow or short-term goals, such as eliminating all lead-based paint over a ten-year period or providing service-linked housing for all disabled people. A third strategic approach would be to focus on activities that leverage other resources from federal and state governments and from the private and philanthropic sectors.

B. Housing Markets Are Regional, and Housing Policies Should Be

The most appropriate geography for thinking about housing policy and programs has changed dramatically over recent decades due to the rampant decentralization of economic and residential life in the United States. During the 1990s, the metropolitan areas containing the 100 largest cities grew 80 percent faster than their central cities. The pattern of faster suburban growth held for all types of cities, whether their populations were falling, stagnating, or growing. Even sunbelt cities like Phoenix, Dallas, and Houston are growing more slowly than their suburbs. Cities have lost disproportionate numbers of the middle- and upper-income households that form the backbone of economically strong communities. From 1989 to 1996, 7.4 million upper- and middle-income households left cities for suburbs, while only 3.5 million moved from suburb to city (Kasarda et al. 1997).

The suburbs also dominate employment growth. A study of 92 metropolitan areas found only 17 places where city job growth outpaced suburban job growth during the middle of the 1990s (Hill and Brennan 1999). The bulk of the cities did gain jobs, but at a slower pace than that of their suburban neighbors. From 1994 to 1997, for example, the central business districts in Ohio's seven major cities experienced a net increase of only 636 jobs. Their suburbs, by contrast, gained 186,410 new jobs (Hill and Brennan 1998). A new spatial geography of work has emerged in metropolitan America. Across the 100 largest metro areas, on average, only 22 percent of people work within three miles of the city center. In cities like Chicago, Atlanta, and Detroit, employment patterns have altered radically, with more than 60 percent of the regional employment now located more than ten miles from the city center (Glaeser and Kahn 2001).

In the wake of decentralizing economies, central cities still harbor a disproportionate share of their regions' low-income families. Low-cost rental housing, including federally subsidized housing, tends to be concentrated in central-city neighborhoods, in part because wealthier suburban jurisdictions have limited the development of affordable housing within their borders. Historically,

central-city neighborhoods were convenient to entry-level and low-skill job opportunities, but today's outlying employment centers are often inaccessible from low-income neighborhoods in the urban core (Pugh 1998; Coulton, Leete, and Bania 1999; Turner, Rubin, and DeLair 1999).

Sprawling metropolitan growth brings other economic and environmental consequences as well. The spatial divide between jobs and workers exacerbates the traffic congestion that has become the hallmark of metropolitan America. The reliability and productivity of the workforce are diminished as workers are forced to tolerate longer commutes. In sprawling regions, such as Atlanta and Los Angeles, the combination of employment decentralization, poverty concentration, and low-density settlement has diminished the utility of public transit. In these places, it has become virtually impossible for low-income workers, many of whom do not own cars, to get from home to work in a reasonable time using rail and bus systems.

The current reality of metropolitan economies has sparked a growing interest in metropolitan solutions. But, for the most part, housing policy discussions remain strikingly local. In an era of population and employment decentralization, the metropolitan area—not the individual political jurisdiction—represents the appropriate geographic space for which to be thinking about and acting upon access to affordable housing. Enabling low-income families to live closer to the employment centers in the new economy (and to more economically diverse schools) will not only benefit those families and their children—A better balance between jobs and housing will help ameliorate the negative consequences that are associated with current metropolitan growth patterns.

C. Income Policy *IS* Housing Policy

Most affordable housing strategies at the national and local levels are designed to expand the supply of affordable housing. A panoply of programs and subsidies focus on stimulating the construction, rehabilitation, and renovation of housing that is affordable to low- and moderate-income families. Production is a necessary component of a responsible affordable housing policy. But the lack of income remains the principal barrier to affordable housing. HUD's annual analysis of worst case housing needs—the closest barometer available for measuring the nation's affordable housing challenges—generally finds that 80 percent of the problem is not housing inadequacy or overcrowding, but affordability.

The causes of the housing affordability gap are, of course, complex. Household incomes are determined by the interplay of major economic, demographic, and government forces. At the same time, housing prices are determined by a host of market and regulatory factors. Given these structural issues, housing policymakers and advocates often conclude that there is little they can do to raise incomes at either the federal or local levels. As a result, they continue to focus their efforts on programs that subsidize some of the costs of housing production or supplement what low-income households can afford to pay for housing.

Increasingly, however, state and local leaders are realizing that they can raise the incomes of working families by enhancing access to and use of such federal investments as the earned

income tax credit, nutrition assistance, health care, and child care. In recent years, for example, state and local groups have maximized the potential of the earned income tax credit by conducting outreach programs, supporting free tax preparation services, and helping families use the credit as a gateway to financial services and savings. It is now estimated that working families apply one third of their credits (or \$10 billion of the annual \$30 billion made available under this program) to housing needs. That makes annual expenditures under the earned income tax credit program larger than under any single HUD program. In designing effective housing strategies, therefore, housing leaders need to look beyond the narrow confines of federal supply- or even demand-side programs. Recent experience with the earned income tax credit shows that local leaders can have a dramatic impact on household incomes and, by extension, housing affordability. Other initiatives that help low-income families find and keep jobs, build skills, and advance economically should also be incorporated into strategies for making housing more affordable.

D. Regulation Can Be a Powerful Housing Policy Tool

Most affordable housing strategies try to subsidize the gap between what low-income people can pay and what it costs to produce and maintain decent housing. For example, rental housing production programs often provide grants or low-cost loans for the construction of new units, or offer investors tax credits to compensate for below-market rent levels. Similarly, homeownership programs provide down payment assistance to supplement what low- and moderate-income families can afford to pay on their own. But because resources are scarce, housing subsidies only serve a small fraction of those in need. The majority of low-income households with serious housing problems do not receive assistance, even though they are eligible.

State and local regulatory policies may offer opportunities to make private housing more affordable. Most states delegate the authority to regulate the private housing market to local governments, which then establish and enforce zoning policies, land use restrictions, development fees, subdivision and design requirements, building codes, rent controls, and other regulations that reflect local priorities and objectives. Taken together, these regulations help determine whether and where different types of housing can be developed, how much it costs, and how it is maintained. Although regulatory policies are often overlooked in discussions of affordable housing policy, they play a critical role.

The traditional approach to land use and development regulation has resulted in policies that explicitly or implicitly limit or prevent the development of affordable housing in a jurisdiction, through restrictive policies like outright bans on multifamily housing or through requirements for large lot sizes, houses set back from the street, and wide sidewalks. Eliminating (or moderating) exclusionary regulatory barriers to affordable housing development can be effective. This does not mean that all regulations on land use and residential construction should be eliminated. Many regulations that raise the cost of housing development have legitimate goals, such as protecting health and safety or preserving farmland. Local governments need not abandon these goals, but they can and should reassess their regulatory policies to ensure that they allow for the development of more affordable rental and homeowner housing.

Regulatory strategies can also create incentives for private developers to produce more affordable housing where it is needed most. States, regions, and local governments have employed inclusionary zoning and other regulatory reforms aimed at increasing the number of affordable units, especially in areas where they are traditionally scarce (e.g., more affluent suburbs). Using a combination of mandates and/or incentives, inclusionary zoning can help compensate for past local exclusionary practices, or can balance the effects of growth controls and other regulatory policies that may indirectly limit affordable development. Among the most frequently used inclusionary zoning tools are developer set-asides, which require that a certain percentage of units in a new residential development be affordable and available to low- and moderate-income households. Implementing inclusionary zoning in affluent suburban areas not only can expand the overall availability of affordable housing, but also can help open up the suburbs to lower-income and minority households, promoting racial and economic integration, and providing low- and moderate-income households with more choices about where to live.

E. Race Matters

Most communities in the United States remain profoundly segregated on the basis of race. The latest evidence from the 2000 census indicates that nationwide, the residential segregation of blacks from whites has declined slightly, but remains high. Levels of segregation for Hispanics from non-Hispanic whites and for Asians from whites are much lower, but may actually be rising in some metropolitan areas (www.albany.edu/mumford/census). Moreover, recent studies indicate that school segregation is on the rise, not only for racial minorities but also for children who are not native English speakers (Orfield 1997). Although the causes of residential segregation are complex, the persistence of segregation at high levels cannot be explained away as the result of individual choices by whites and minorities to live in homogeneous neighborhoods. In fact, most whites as well as minorities indicate that they would be comfortable living in mixed neighborhoods (Farley et al. 1997).

Residential segregation denies minority families full and free choice about where to live, while often denying minority neighborhoods the services and resources they need to thrive and grow. As a consequence, minorities' access to quality schools, jobs, and economic opportunity is limited. The most extreme consequences of residential segregation are found in the central cities of large urban areas. Because minorities experience higher poverty rates than whites, the concentration of minorities in inner-city neighborhoods also concentrates poverty and compounds its social costs (Massey and Denton 1993). As jobs, wealth, and economic opportunities have migrated to the suburbs, poor minority communities in the central city have become increasingly isolated, cut off from access to the mainstream of our society and economy (Wilson 1990). Thus, housing segregation helps sustain economic inequality and contributes to the persistence of urban poverty. Moreover, it perpetuates racial and ethnic prejudice by limiting opportunities for healthy interaction between minorities and whites.

Historically, affordable housing policies have done little to address the problem of segregation, and often have exacerbated it. At their inception, federal housing programs incorporated many of the prevailing practices of the private housing market and were explicitly discriminatory as a result. Over the years, as new housing programs evolved, successive administrations missed opportunities to aggressively combat discrimination and segregation, instead allowing prevailing practices and patterns to continue. For example, federal programs to assist low-income renters have helped concentrate poor minority households in poor minority neighborhoods, limiting housing choice and exacerbating segregation. Originally, public housing regulations and guidelines encouraged the assignment of households to projects on the basis of their race and the racial composition of the surrounding neighborhoods (Jackson 1985). The federal government's homeownership programs also reinforced patterns of segregation and discrimination in U.S. housing markets. The earliest Federal Housing Administration (FHA) mortgage insurance programs enabled and encouraged middle-class white families to obtain financing for new housing in the burgeoning suburbs, while lending institutions denied loans for homes in older, inner-city neighborhoods and appraisal practices discouraged racial mixing (Calmore 1993). Later FHA programs—which were intended to expand credit to older neighborhoods and less-affluent borrowers—sometimes played a role in the abandonment of urban neighborhoods by white homeowners, contributing to residential resegregation, high foreclosure rates, and neighborhood disinvestment (Massey and Denton 1993).

Although local policymakers may hope to design and implement color-blind housing policies, if the realities of segregation and ethnic inequalities are ignored, policies may not work as intended. For example, a homeownership assistance program may not lead to wealth accumulation for minority households if segregation and discrimination limit their home purchase choices to minority neighborhoods where house values are not appreciating. Vouchers fail to give low-income families real choices about where to live if they feel unwelcome in neighborhoods beyond the central city. And the successful revitalization of an inner-city neighborhood may lead to displacement of minority households if no efforts are made to resolve conflicts between groups and to actively promote diversity.

F. Implementation Matters

Even the best housing strategy will fail to accomplish its goals if it is not effectively implemented. The history of housing policy in the United States is replete with examples of well-intentioned programs that produced harmful outcomes because of poor administration. For example, some of the local housing authorities responsible for implementing the federal housing voucher program have failed to effectively perform basic administrative functions such as inspecting units promptly when subsidy recipients apply for lease approval, making rental payments to landlords on time, and responding effectively to landlord questions and complaints. As a result, landlords are unwilling to participate in the program, leaving subsidy recipients with limited choices about where to live and contributing to the concentration of poor households in distressed neighborhoods (Turner, Popkin, and Cunningham, 2000).

When new programs are launched, local policymakers should critically assess the capacity of the organizations that will implement them. Do they have sufficient staff and resources? Do they have the skills and experience needed to perform their new responsibilities effectively? Is the program designed to provide incentives for effective administrative performance? Sometimes, strengthening organizational capacity can be the most effective intervention to improve policy outcomes. For example, the National Community Development Initiative (NCDI) made a long-term commitment to strengthen the capacity of nonprofit community development corporations (CDCs), providing technical assistance and operating support to CDCs in selected communities and contributing to substantial increases in sophistication, performance, and production levels (Walker 1998).

Often, partnerships between organizations with complementary strengths can result in effective program implementation, particularly when a mix of diverse skills and experience is needed to meet client needs. In several communities across the United States, local housing authorities have collaborated with nonprofit counseling organizations and fair housing advocates to link housing vouchers with effective housing search assistance and mobility counseling. Voucher recipients have received not only demand-side housing assistance, but also hands-on help in finding suitable units in thriving neighborhoods, and counseling to prepare them to succeed in the private housing market (HUD 1999). But it takes real effort to establish and sustain effective partnerships; many organizations that have done so stress the time and resources that are required to be successful.

Implementation agencies must be held accountable for performance. It is not enough to assign responsibility for implementing a new program to the best-qualified agency (or partnership) and hope for the best. Clearly defined performance measures and systematic performance monitoring can strengthen implementation. Exhibit 6 offers a set of outcome and output indicators specific to each of the seven goals of affordable housing policy. *Outcome indicators* measure the communitywide conditions (such as an affordable housing shortage or racial segregation) that housing policies intend to change over the long term. *Output indicators* provide more immediate measures of program accomplishments (such as number of new affordable units or number of families making pro-integrative moves). Over time, programs that are successful in producing the desired outputs should contribute to progress on the larger outcome measures.

Local policymakers can choose from several alternative strategies for holding agencies accountable for the performance of housing programs. Sometimes, simply requiring that performance data is collected, and publishing it on a regular basis, creates strong incentives for effective performance. But communities can also enter into performance-based contracts with public agencies, private companies, and/or nonprofit organizations in which payments, bonuses, and/or contract duration are all explicitly tied to the achievement of measurable performance targets (Osborne and Plastrik, 2000; Osborne and Gaebler 1991).

Exhibit 6: Measuring Program Performance

Goals of Affordable Housing Policy	Indicators	
	Outcomes (long-term: five to 20 years)	Outputs (short-term: one to five years)
Preserve and Expand the Supply of Good-Quality Housing Units	<ul style="list-style-type: none"> ▪ Number of housing units affordable for very low, low-, and moderate-income households ▪ Number of physically deficient housing units ▪ Number of overcrowded housing units 	<ul style="list-style-type: none"> ▪ Number of units built or rehabilitated ▪ Number of units improved/upgraded ▪ Share of new units affordable for very low, low-, and moderate-income households
Make Housing More Affordable and More Readily Available	<ul style="list-style-type: none"> ▪ Number of very low, low-, and moderate-income households paying more than 30 percent of income for housing ▪ Number of very low, low-, and moderate-income households paying more than 50 percent of income for housing 	<ul style="list-style-type: none"> ▪ Number of vouchers issued ▪ Share of available vouchers utilized ▪ Number of households relocating with housing search assistance
Promote Racial and Economic Diversity in Residential Neighborhoods	<ul style="list-style-type: none"> ▪ Index of residential segregation by race and ethnicity ▪ Index of residential segregation by income level 	<ul style="list-style-type: none"> ▪ Share of new (assisted) units in low-poverty and nonminority neighborhoods ▪ Share of voucher recipients moving to low-poverty and nonminority neighborhoods ▪ Racial and economic mix of assisted developments ▪ Number of pro-integrative moves
Help Households Build Wealth	<ul style="list-style-type: none"> ▪ Average household assets, by income and race/ethnicity ▪ Homeownership rate, by income and race/ethnicity ▪ Average house price appreciation rate, by neighborhood 	<ul style="list-style-type: none"> ▪ Number of new homeowners ▪ Average house price appreciation among assisted buyers
Strengthen Families	<ul style="list-style-type: none"> ▪ Share of children living with two parents ▪ Share of children with elevated blood lead levels ▪ Share of children completing high school ▪ Average household income, by neighborhood ▪ Share of households with wage income, by neighborhood 	<ul style="list-style-type: none"> ▪ Number of families reunifying ▪ Number of assisted households completing self-sufficiency programs ▪ Number of assisted households moving from welfare to work
Link Housing with Essential Supportive Services	<ul style="list-style-type: none"> ▪ Number of homeless people ▪ Number of frail elderly without services ▪ Number of disabled without services 	<ul style="list-style-type: none"> ▪ Number of units with transitional services ▪ Number of nonprofits serving special-needs populations
Promote Balanced Metropolitan Growth	<ul style="list-style-type: none"> ▪ Geographic concentration of affordable housing ▪ Average commute times, by jurisdiction ▪ Ratio of jobs to housing, by jurisdiction 	<ul style="list-style-type: none"> ▪ Share of new affordable housing in suburban jurisdictions ▪ Volume of residential investment in older, city neighborhoods

The variety of available program options and their differing applicability to local conditions necessitate constant and thoughtful evaluation of potential policy choices in the light of the best available data on “what works.” This report organizes and summarizes what is known about the performance of various programmatic approaches. Local practitioners can take advantage of past experience to craft more effective strategies, given their own unique circumstances. We hope that this report will help practitioners and policymakers do just that.