Introduction: Why Rental Housing Is the Neglected Child of American Shelter

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Although almost one-third of all American households rent their shelter, rental housing is the neglected child of American life. In fact, the number of renter-occupied housing units actually increased by 1.1 million from 2000 to 2005, though the nation's total number of housing units (including vacant units) rose by 8.6 million in the same period (Census Bureau 2000, 2005a). Owning one's home is fundamental to the American dream. Although millions of well-off households voluntarily choose to rent, rental housing is basically considered second class. Even more significant, America's poor are concentrated in rental housing, further degrading its status. Among the 15.12 million poor households in America in 2005, 57.4 percent were renters, and they made up 25.6 percent of all renter households. In contrast, only 8.6 percent of owner-occupant households were poor (Census Bureau 2005b, tables 1A-1, 2-12). Of all poor households, 42.6 percent were owner-occupants, but they had substantially more accumulated wealth on average than poor renters.

In November 2006 Harvard's Joint Center for Housing Studies and the MacArthur Foundation sponsored a symposium focused on the nature and condition of rental housing in the United States. Over a two-day period, fifty academic and industry housing experts met in Cambridge, Massachusetts, to present papers analyzing every aspect of rental housing. This introduction presents an overview of the symposium's general findings.

Income Differences between Renters and Owners

The concentration of poor households in rental housing is illustrated by the difference in incomes between renters and homeowners. In 2005 the median income among renter households was $27,051, just under half the $55,571 median among owner-occupant households (Census Bureau 2005b, table 2-12). Only 31.7 percent of renter households had incomes of $40,000 or more, compared with 64.4 percent of owner households (Census Bureau 2005b, table 2-12). Renters have lower incomes than owners because, on the average, it costs less to rent than to own one's own home, and ownership requires amassing an initial down payment that many renters cannot afford. Also, renting households typically move much more often than do home-owning households. Renters can be transient, whereas homeowners must buy and sell their properties in order to move. "Moving up" usually requires having increased equity, but renters often lack that option. According to the 2000 census, 38.8 percent of all renter households moved from March 1999 to March 2000, compared with only 10.3 percent of all owner-occupant households (Census Bureau 2000). Households still on the move are more likely to rent than to own and more likely to have lower incomes and shorter employment records than those who have settled down. Among all those who moved between 1995 and 2000, about 58 percent remained in the same county (Census Bureau 2000).

Housing is the single largest expense in the budgets of both renters and owners. According to the Consumer Expenditure Survey for 2005, conducted by the Bureau of Labor Statistics, homeowners spent an average of $54,126 on housing each year, while renters spent $30,462. Spending on all aspects of housing was 31.9 percent of all consumer spending for homeowners and 35.6 percent for renters. For shelter alone, homeowners spent 17.6 percent, and renters 23.95 percent (BLS 2005). Viewing housing spending as a share of total income is unreliable as a measure of housing cost burden, however, because the lowest-income households reported having spent far more than they received as income each year—which implies that their income reporting was erroneous, probably because they omitted credit card debt or gray-market receipts. According to the U.S. Census Bureau's American Community Survey for 2005, 31.9 percent of all renter households had incomes of less than $20,000 a year, and among them, 86.2 percent spent more than 30 percent of their incomes on housing. In contrast, among homeowner households, 12.5 percent had incomes under $20,000 a year, and 68.0 percent of those spent more than 30 percent of their incomes on housing (Census Bureau 2005a).

Locational Differences

Renter households tend to be concentrated in central cities, while owner-occupant households are more prevalent in the suburbs. According to a 2005 American

Housing Survey, 52.2 percent of owner-occupants were suburbanites and 23.3 percent lived in central cities (Census Bureau 2005b). Among renter households, 42.2 percent lived in central cities and 40.3 percent in suburbs. However, because owner households outnumber renter households by more than two to one, owners made up 54.4 percent of all central-city households, 74.1 percent of all suburban households, and 76.5 percent of all households living outside of metropolitan areas (Census Bureau 2005b). These proportions give owner-occupant households substantial political advantages over renters when it comes to influencing local government regulations concerning housing, especially in the suburbs and outside metropolitan areas.

The Impacts of a Huge Inflow of Financial Capital into Housing Markets

This political power has become especially significant because of the immense inflow of financial capital into housing markets in the United States and around the world in the past decade. As a result of the worldwide stock market collapse in 2000, plus several other major economic developments, financial capital fled from stocks into real estate almost everywhere. At the same time, central banks in developed nations increased liquidity in their economies and cut interest rates to forestall a general recession from the stock market crash. Such easing of economic policies encouraged renter households the world over to seek homeownership because of low interest rates, easy credit terms, and rising home prices that promised substantial capital gains. Home builders stepped up production of new housing units to meet this increased demand, but home prices rose rapidly anyway in nearly all developed nations except Germany.

In the United States, median prices of existing homes sold, as measured by the National Association of Realtors, rose 51.1 percent from 1990 to 2000 but then soared 59.6 percent in the six years from 2000 to 2006. In California the median price rose 134 percent during those same six years. Home prices in other nations rose even more. From 1997 to 2006, median home prices rose 82 percent in the United States but 244 percent in Ireland, 184 percent in the United Kingdom, 173 percent in Spain, and 126 percent in Australia.[1] Soaring home prices were not primarily the result of a worldwide shortage of housing but were mainly caused by a massive shift of capital out of stocks and other investments into real properties, including both homes and commercial properties.

This dramatic spurt in home prices had several critical effects upon housing markets. First, it encouraged more and more renters to buy homes both to avoid

1. Author's calculations from data in several issues of the *Economist*: March 2003; March 11, 2004; June 3, 2004; September 2, 9, and 30, 2004; and December 11 and 30, 2004.

even higher future prices and to enjoy future increases in home equity. Their desires were furthered by low interest rates and reductions in credit standards for home buyers. In several California housing markets, 35 percent or more of all home mortgages originating in 2006 were negative amortization or interest-only loans. Those markets were San Diego (42 percent), the San Francisco Bay Area (40 percent), Los Angeles (39 percent), Sacramento, and Modesto-Stockton (35 percent) (Rosen 2006). As a result, nationwide, the fraction of households owning their own homes rose from 63.9 percent in 1990 to 67.4 percent in 2000 and to 68.9 percent in 2005.[2]

This shift from renting to homeownership involved a second impact on housing markets: a fall in the demand for rental units. From 2000 to 2005 the number of occupied rental housing units in the United States increased only slightly, by just 1.1 million units, as many renters and newly formed households rushed to buy homes (Census Bureau 2000, 2005a). The number of new home-owning households rose by 4.5 million, four times the total number of new renter households formed. No wonder rental vacancy rates rose notably in this period. Among all rental units, vacancy rates were between 7.1 and 7.9 percent from 1989 to 1998; they then rose quickly to 10.2 percent in 2004 before beginning to decline slightly in late 2005 and 2006 as the home sales market cooled.[3] Among apartments managed professionally in structures with five or more units, vacancies rose from 4 percent in the third quarter of 2000 to 7 percent in the first quarter of 2003 (Rosen 2006).

The third major impact of rising home prices was the enrichment of home-owning households as the market values of their homes shot upward. According to the Federal Reserve Board's Flow of Funds tables, the total market value of real estate held by U.S. households escalated from $6.58 trillion in 1990 to $11.41 trillion in 2000 and to $20.62 trillion in 2006—an increase of 213 percent in sixteen years. Even after subtracting home mortgages and other debts against their homes, the net equity of homeowners in their homes rose from $4.1 trillion in 1990 to $10.5 trillion in 2005—a gain of 160 percent. True, there were about 15 million more home-owning households in 2005 than in 1990 (Census Bureau 1990, 2005a). But correcting for that fact, and also converting home prices from current dollars to constant 2005 dollars, the average net real equity of each home-owning household rose by 36 percent from 1990 to 2005 (Federal Reserve Board 2007; Census Bureau 1990, 2005b).

In reality, home buyers, home builders, realtors, lenders, mortgage bankers, and almost all other practitioners in real estate transactions never think in constant dollars—only in current dollars; only economists correct for inflation. I

2. Census Bureau (2007a).
3. Census Bureau (2007a).

know, because I have been in the real estate business for more than fifty years. So most households who have owned their own homes during the past decade or more believe—correctly—that they have experienced large increases in the net market values of their homes. This is especially true in those regions where prices have risen much faster than the national average—such as California, Florida, Honolulu, and northeastern seaboard metro areas.

This enrichment has been a major incentive for additional renters to shift into homeownership during the past decade. It has also stimulated a large increase in consumer spending on goods and services unrelated to housing, using money borrowed against their home equities by refinancing mortgages at lower rates or taking out home equity loans.

The fourth major impact of rising home prices has been a devastating decline in the affordability of housing for millions of households. One group consists of those households living in regions with high housing costs who managed to scrape together enough money to buy homes during the past decade. In places like California, Boston, and Miami, those first-time buyers had to wait longer to amass their down payments, and they then got smaller, less luxurious homes, most likely located much farther from where they work, than did people buying homes in less costly regions like much of the Midwest and South.

An even larger group suffering from affordability problems consists of millions of renters who would like to become homeowners but cannot afford to do so. In spite of easy credit terms and low interest rates, soaring home prices have put ownership out of their reach because their incomes have not risen anywhere nearly as fast as housing prices. In 1990 the median household income in the United States in current dollars was $29,943; in 2004, it was $44,334 (Census Bureau 2006). That is a gain of 48.1 percent in the same period that the median price of existing homes sold, also in current dollars, rose by 101.3 percent.[4] In real terms in 2005 dollars, median incomes rose only from $43,366 in 1990 to $45,817 in 2004, or 5.7 percent, while median home prices were rising from $137,507 in 1990 to $191,478 in 2004, or 39.3 percent.[5] Whichever way you look at it, incomes lagged far behind home prices during those fourteen years.

However, the ability of low-income households with slow-growing incomes to buy homes with fast-rising prices was greatly expanded by changes in credit requirements. Interest rates on thirty-year, fixed-rate conventional home mortgages fell from 10.13 percent in 1990 to 5.87 percent in 2005, slashing monthly payments.[6] Credit terms were eased, with interest-only loans, lower or no down payments,

4. Author's calculations of 1990 and 2004 data from the National Association of Realtors.
5. Author's calculations of 1990 and 2004 data from the National Association of Realtors.
6. Freddie Mac, "Primary Mortgage Market Survey" (www.freddiemac.com/pmms/pmms30.htm).

undocumented income declarations by borrowers, option or negative amortization loans (in which payments were less than interest but the unpaid interest was added to the amount to be amortized later), and increases in the total proportion of income that lenders permitted borrowers to use for debt repayment. All these changes made it possible for many relatively low-income renters to purchase homes in spite of the fact that home prices were rising much faster than household incomes. That is a key reason why homeownership rose so fast, especially from 2000 to 2005, even though housing prices were soaring. However, the situation of renters was, and is, much worse in regions with the highest housing costs, where incomes did not rise much faster than the national average but housing price increases were double or triple the national average.

Moreover, rents also rose significantly in the same period. The median asking rents for vacant units in the United States was \$371 a month in 1990 but increased to \$483 in 2000 and \$633 in 2006, all in current dollars.[7] That is an overall increase of 70.6 percent in sixteen years. In constant 2006 dollars, that rent increase was from \$572 to \$633, or 10.6 percent.[8] Many renters had difficulty just keeping up with their rents, let alone putting together money to buy a home. Furthermore, unless home prices decline much more than they have since the peak in 2005, this major shift in the relationship between household incomes and housing prices is likely to remain in place for a long time. Hence the decline in homeownership affordability will probably be a permanent fixture of American housing markets.

Another consequence of the rise in homeownership has been the attempts of NIMBYs (proponents of "not in my back yard") to subvert the creation of rental housing and multifamily apartments in thousands of suburban communities. Most local governments are politically dominated by homeowners with no-growth or slow-growth agendas. For suburban homeowners, the market values of their homes are their single largest assets. They want to protect those assets. They also believe that permitting cheaper owner-occupied homes or rental apartments in or near their neighborhoods might lower the market values of their own homes or affect the quality of local public schools. So they pressure their local government officials to prevent construction of such housing nearby. Since those local officials owe their election and reelection to voters, they adopt regulatory barriers and delaying tactics to block creation of low-cost housing—and nearly all rental apartments—in their communities.

In his paper delivered at the conference, Edward Glaeser of Harvard University pointed out that 68 percent of the local communities in Massachusetts had no land whatever zoned for multifamily housing. He and Joseph Gyourko of the University of Pennsylvania did a nationwide analysis of housing prices that concluded that local regulatory barriers were the major cause of high housing prices

7. Census Bureau (2007a, table 11A).
8. Census Bureau (2007a).

across the nation (Glaeser and Gyourko 2002). Those barriers also limit the production of rental apartments in the nation's suburbs. As a result, 84 percent of all the new housing units built from 1990 to 2006 (including mobile or manufactured homes) consisted of single-family units, although an average of 34 percent of all households were renters during that entire period (Census Bureau 2006).[9] Even allowing for the fact that 31 percent of renters live in single-family dwellings, new home builders undersupplied rental accommodations during the past sixteen years (Census Bureau 2005b). That is one reason why renters are more concentrated in central cities than are owners: too many suburbs block new apartments within their boundaries.

How Federal Housing Policies Support Homeownership

The federal government's housing-related policies strongly favor homeowners over renters, as indicated by its allocation of financial benefits between those groups. Independence and homeownership are valued American traditions, so federal policies seek to expand homeownership. That leaves poor renters with only a relatively small piece of the federal aid pie in the form of Section 8 vouchers, public housing units, older rental construction subsidies, and other direct federal payments. In 2005 total federal outlays on all renter subsidies amounted to $32.297 billion (in 2006 dollars), as John Quigley notes in chapter 9 of this volume (table 9-1), using data from the Office of Management and Budget. The Urban Institute's estimate of such subsidies for 2005 was somewhat larger, as noted below.

In 2005 about 74 percent of all renter households had incomes below the national median of $44,503, and 43 percent, or 14.6 million renter households, had incomes below one-half the national median, which would qualify them as eligible for federal housing aid (Census Bureau 2005b). Yet the federal government provides such aid to only 6.2 million renter households (HUD 2005). Quigley notes that 70 percent of poor households eligible for federal housing aid were not served by it, and 40 percent of those who were served did not meet the official definition of poverty (because income limits for federal housing aid eligibility are higher than poverty income limits).

In contrast, financial benefits to homeowners consist of tax reductions in the form of deductibility of mortgage interest payments from taxable income, tax exemptions on profits from the sale of homes that have been occupied as a principal residence for two or more years, and, in many jurisdictions, lower property tax rates on owner-occupied homes than on rental apartment units. These benefits are not direct federal outlays and therefore do not appear in government appropriations, revenue statements, or budgets. However, the Urban Institute has estimated that all the tax benefits to homeowners in 2005 amounted to

9. Census Bureau (2007b).

$146.9 billion, compared with $41.0 billion in aid to renters in the same year.[10] Since homeowners outnumber renters more than two to one, it is not surprising that federal benefits to the former are 3.6 times as large as those to the latter, even though the latter have much lower incomes.

The frustrating aspect of this situation is that most of the benefits to homeowners accrue to those in the highest tax brackets—households who need them least. Those benefits consist of deductions from taxable income, so households who pay the highest tax rates gain the most. As a result, households in the topmost income quintile (20 percent) received 82 percent of the total income tax benefits to all homeowners in 2005, and those in the second-highest quintile got 15 percent of those benefits. Only 3 percent went to the 60 percent of households in the bottom three quintiles, according to estimates made by economists Adam Carasso, Eugene Steuerle, and Elizabeth Bell.[11] Distributing federal tax benefits to homeowners more evenly—perhaps by using a tax credit instead of deductions from taxable income—would be much fairer. In addition, doing so would allow some of current costs to the federal government of housing-related benefits to be shifted to increasing direct aid to low-income renters. They clearly need housing assistance much more than the high-income households who now receive most federal housing-related financial benefits.

The current disparity between federal benefits to owner and renter households sustains the incentive for households to choose owning over renting. Other federal policies, such as maintaining low interest rates, financing mortgages through Fannie Mae and Freddie Mac, and providing Federal Housing Administration mortgage insurance, all favor homeowners over renters. The massive flows of financial capital into housing and other real estate markets exacerbate the economic dilemma of poor renters, even though such inflows will surely not last indefinitely.

Policy Recommendations

What should be done to improve the functioning of U.S. rental housing? Members of the conference identified four major problems that prevent rental housing markets from working well now:

—The incomes of millions of American households in our free enterprise economy are too low for them to own their own homes and also too low for them to pay for adequate rental shelter. They have to devote so much of their incomes to housing that they cannot afford other necessities, such as health care, transportation, education, and food.

10. Adam Carasso and others, “Improving Homeownership among Poor and Moderate-Income Households,” Urban Institute (2005) (www.urban.org/uploadedPDF/311184_improving_homeownership.pdf).

11. Adam Carasso, Eugene Steuerle, and Elizabeth Bell, “How to Better Encourage Homeownership,” Urban Institute and Brookings Tax Policy Center (2005) (www.urban.org/UploadedPDF/311193_IssuesOptions_12.pdf).

—Federal housing-related policies are based upon the widely held economic goal and the political popularity of homeownership, not upon the intensity of housing needs among households. Federal income-tax benefits for homeowners are entitlements, and, since 69 percent of all American households were homeowners in 2006, those benefits are several times larger—both in the aggregate and per household aided—than all federal subsidy benefits for renters. Yet it is renter households that need housing assistance most acutely.

—In the opinion of most symposium participants, high-poverty neighborhoods adversely effect the life chances of persons living there, most of whom are renters. High rates of poverty, crime, drug abuse, broken homes, unemployment, and gang activity combine with low-quality public schools and lack of health care to make living in such areas much more harmful than living in most middle-income neighborhoods.

—Most American suburbs are politically dominated by home-owning majorities, who pressure local governments to maintain regulatory barriers against local construction of low-cost single-family homes or any rental apartments at all. Local homeowners fear affordable housing might cause a decline in the market values of their own homes, which are their largest financial assets. This makes it difficult for many low-income households to move out of concentrated poverty areas into suburbs, where they can more easily obtain good jobs and good schools for their children.

The first problem—low household income—is both the most important obstacle to providing adequate shelter to poor renters and the most difficult to remedy. Prospects for significantly increasing the wage levels of the lowest two quintiles in the American income distribution are not bright, mainly because of globalization. The continuing inflow of well-trained and low-wage Chinese and Indian workers into the world's industrial and commercial labor markets holds down many American wages, too. Foreign workers have expanded those labor forces by roughly 20 percent in the past two decades. I do not think that Congress can push the wages of our low-income sectors up enough, through minimum wage hikes and even an expanded earned income tax credit, to enable low-income American households to afford decent housing. Even significant protectionist tariffs against cheap imports are not likely to cause incomes to rise sufficiently for the lower 40 percent of the income distribution.

Moreover, the flood of financial capital into domestic and international housing markets, especially since 2000, has greatly raised American housing prices. Those prices are now so high that the cost of either subsidizing the wages of the poor or building enough affordable housing would be astronomical. In view of the budgetary pressures now facing the federal government, there is little chance that Congress will agree to provide such subsidies for poor renters. Although the cost of housing in the United States is likely to decrease somewhat in the next few years, I do not foresee a general collapse of housing prices. Most homeowners unable to sell at prices they like will simply withdraw their homes from the market and remain living in them. That will put a floor under housing prices. Yet the relation between household incomes and housing prices has undergone a major structural change in the past decade that is likely to endure for a long time. Both renters and prospective home buyers are adversely affected by that shift.

In theory, the second obstacle—the federal government's bias toward homeownership in its provision of housing assistance to American households—could readily be solved technically. Congress could change the present mortgage payment deduction from homeowners' taxable incomes to a uniform tax credit for each dollar of mortgage interest paid. That would stop high-income homeowners from getting larger tax benefits for each dollar of mortgage interest paid than low-income homeowners do, as now occurs. If the tax credit were set to produce slightly larger tax benefits for low- and middle-income homeowners than they now receive from tax deductions, the tax benefits flowing to high-income homeowners would be significantly reduced. That saving to the federal government could then be transferred to either an entitlement tax credit for low-income renters (as suggested by John Quigley at the conference) or larger and more broadly distributed housing vouchers and other subsidies already going to renter households. This change would produce a much fairer distribution of federal housing aid and tax benefits at no added cost.

Remedying the problem, however, is a political nonstarter. For decades, the politics of such legislation have prevented its passage, even though consecutive presidential housing commissions have recommended it as fairer and more effective than present policies. Home builders, realtors, landowners, lenders, and others gain higher profits from federal government subsidies of the most expensive housing units, which encourage construction of such units. These groups have always joined together with homeowners in the top income brackets to block even serious consideration of such a federal tax policy change. As mentioned, homeowners constituted 69 percent of all U.S. households in 2006 and represent a majority of constituents in almost all suburban communities, many big cities, and all states. Moreover, many middle-income homeowners who would immediately gain from the tax change suggested above aspire someday to own more expensive homes, so they do not want to increase the future after-tax costs of doing so. Congress will not antagonize the politically powerful interests who benefit from the present blatantly unfair system, so it refuses to consider a much fairer distribution of federal housing tax benefits and subsidies.

The third problem faced by low-income renters is their concentration in high-poverty neighborhoods, mainly in big cities. As Margery Turner and Bruce Katz note in chapter 10 of this volume,

> Living in a distressed, high-poverty neighborhood undermines the long-term life chances of families and children. . . . Children who grow up in dis-

> tressed neighborhoods . . . are less likely to perform at grade level, complete high school, or go on to college. . . . Young people who are surrounded by drug dealing and crime are more likely to become caught up in dangerous or criminal activities. Concentrated poverty also exacerbates the housing-jobs imbalance through which residents of poor neighborhoods are isolated from opportunities for employment and advancement because of distance or poor access to transportation.

How can low-income renters be encouraged—and empowered—to move out of such areas into neighborhoods, probably in the suburbs, where they can gain better access to new jobs, safer environments, and public schools of higher quality? Creating such movements at a large scale is known as the dispersion strategy. Pursuing this strategy inevitably raises the fourth problem, that of regulatory barriers blocking such movements. So I consider both these problems at once.

Turner and Katz propose an extensive array of policy changes aimed at attacking these problems through a combination of federal, state, and local policy initiatives. They suggest that the federal government create substantial financial incentives for state governments to pressure local governments to reduce regulatory barriers to more affordable housing, especially in suburbs. They further recommend that the federal government also expand the existing Low Income Housing Tax Credit and the Home Investment Partnership programs, both to offset losses of affordable units from the standing inventory and to create new affordable units in communities near suburban jobs. To increase the production of affordable housing, both renter and owner occupied, they recommend that existing metropolitan planning organizations expand their planning purview to include regional housing plans as well as regional transportation plans. They stress regional housing plans because they want to shift the creation of new affordable housing away from central cities and poverty areas therein into suburban communities that have up to now resisted entry of such housing.

I believe Turner and Katz are correct in outlining the directions in which public policies ought to move if the nation wants to help low-income households cope with the housing-related problems facing them. But merely pointing out to suburban governments that their local regulatory barriers are unfair and injurious to entire regions is useless; many federal housing commissions have done this in the past, with no visible results. Shifting some genuine power over where housing is built from local governments to state or regional government agencies is the only way to reduce suburban intransigence to acceptance of low-income households. State governments could do this on their own, since they are responsible for the welfare of all the citizens in their states, including the poor. But almost none have shown any inclination toward such a policy. Only Oregon and New Jersey have made some moves in that direction, and New Jersey did so mainly under pressure from state courts.

The basic issue is that most American households are homeowners—which is a good thing—and most do not want to accept low-income households, especially renters, as neighbors. Governments in the United States have been deliberately structured so that local autonomy, through its small-scale democracy, almost always defeats regional planning, with its more comprehensive perspective. The only exception involves planning primarily physical infrastructures clearly regional in nature, such as highways, water and sewer systems, and environmental pollution. No major metropolitan areas engage in true regional planning of housing or even future population growth except Portland, Oregon, possibly the Twin Cities in Minnesota, and those few regions where city and county governments have been merged. Everywhere else, the desire of local citizens to retain complete control over what types of housing are built in their own communities and who lives there remains dominant. Hence no effective planning for overall regional growth is carried out.

Louis Winnick, in his brilliant 1995 paper on why vouchers triumphed over housing production programs and preservation of concentrated-poverty neighborhoods blocked deliberate dispersal of their residents to more outlying areas, notes another factor: "Reproaches 20 years ago by . . . dispersionists over the futility of 'gilding the ghetto' . . . were overwhelmed by an unrelocatable underclass and by the explosive growth in numbers and political standing of salvational organizations, CDCs [community development corporations], Neighborhood Housing Services . . . and its financial backers, the Local Initiatives Support Corporation . . . , the Enterprise Foundation, the Neighborhood Reinvestment Corporation, and major philanthropic foundations. . . . The preservationists have won hands down [over the dispersionists]" (Winnick 1995, p. 100). Of course, the advocates of preserving and improving low-income city neighborhoods rather than helping their occupants disperse were strongly supported by suburban residents opposed to the entry of low-income households into their own territories. That attitude still prevails among most suburbanites today, even though millions of once low-income households of all races and ethnic groups have moved out of cities into suburban neighborhoods as their incomes rose.

This means that making progress against the third and fourth problems noted above will be slow going, involving one small step at a time against strong opposition. The first steps should probably be getting the federal government to create some financial incentives for state governments to pressure local governments into reducing regulatory barriers to lower-cost housing units; conducting well-documented research to determine whether building lower-cost housing and apartments in suburbs actually reduces the values of most housing there, as homeowners fear; developing inclusionary zoning systems that provide significant offsetting benefits for home builders who build affordable new units as a certain percentage of all the units they construct; and trying to create some form of regional housing and growth planning at the metropolitan area level. The last is being done in a nonbinding way in many fast-growth regions. There, leaders are trying to figure out how to cope with looming large-scale growth by increasing densities, in-fill development, and adopting a regionwide perspective.

Where is the political leadership to overcome the opposition to such changes—opposition that already exists and will become even more vehement? Although many more municipalities are now discussing their needs for more affordable housing, few elected officials, home builders, lenders, developers, or voters are willing to support the changes necessary to achieve that goal. The major obstacle to rental housing will remain rooted in the dilemma presented by the low incomes of millions of American households, on the one hand, and high housing prices, defended by most American homeowners, on the other.

Meanwhile, we must keep trying to improve rental housing. It may be a second-class form of shelter in the minds of most Americans, but it is also the starting point for millions of workers seeking better lives for themselves and their children, and a necessity for many others at the bottom of the income scale. In our free country, such low-income renters—and their housing—deserve to be treated with greater respect, acceptance, and support.

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