Community and Economic Development in North Carolina and Beyond Blog: Key Findings: The Harvard Joint Center for Housing Studies' State of the Nation's Housing 2018 report

By CED Program Interns & Students

Article: https://ced.sog.unc.edu/key-findings-the-harvard-joint-center-for-housing-studies-state-of-the-nations-housing-2018-report/

This entry was posted on August 16, 2018 and is filed under Built Assets & Housing

The Harvard Joint Center for Housing Studies recently released their 30th Anniversary State of the Nation's Housing Report , detailing new insight into the forces at work in the nation's housing market, as well as challenges faced by local, state and federal government agencies in finding solutions to the present housing challenges. The report also provides a reflection of how the nation's housing challenges have changed over the course of 30 years, and often, how they have persisted. Key takeaways from this report are described below.

In the last 30 years the number of cost-burdened renters (those paying over 30% of their income on housing) has risen dramatically — a result of challenges to both supply and demand for housing. On the supply side, higher costs for land, construction materials and labor have resulted in rents that have significantly outpaced inflation. Additionally, local regulations reduce opportunities for developers to produce modest-cost housing by: limiting the types of housing that can be produced, capping the density of developments, and subjecting developers to long approval processes and heavy fees along the way. On the demand side, weak income growth among low and moderate-earning households is paired with an imbalance between the demanded housing types and the available stock of both rental and for-sale units: currently, "high-end" housing is overrepresented in the market. Charlotte, NC and Durham, NC are specifically among the areas with the greatest imbalances between the demanded housing price point and the available housing stock.

As a result of these market forces, in 2016, 47% of renters and 23% of homeowners were cost-burdened (though this actually represents an overall reduction in the number of cost-burdened households from the peak in 2010). This cost burden is especially present in single-parent households, as well as renters under 30, and renters age 65 and older. Additionally, cost burdens are higher and rising faster among black and Hispanic households compared to other groups.

To address these cost burdens for low and very-low income households, federal housing assistance programs provide a vital sources of subsidy. These programs include:

- Public Housing Units – government-owned and operated housing units that serve low-income families, the elderly, and individuals with disabilities. The occupancy of public housing stock is currently decreasing as a result of the Rental Assistance Demonstration Program, which allows public housing authorities to convert public housing units to voucher contracts.
- Housing Choice "Section 8" Vouchers – a program administered by public housing agencies that allows recipients to choose a qualifying, privately-owned housing unit and apply the voucher towards rent. This program currently serves half of households receiving assistance. However, between 2000 and 2017, the number of vouchers only increased by 400,000 as a result of the increase in cost of the program.
- The Low Income Housing Tax Credit (LIHTC) Program – currently the largest source of subsidized rental housing, having constructed nearly 2.5 million units since its creation in 1986.

However, these programs serve just one quarter of very-low-income renters.

Beyond the limitations in scope of assistance programs, many qualifying households experience significant barriers in receiving the assistance that could ease their housing cost burden, such as significant wait times for public housing units or vouchers. For those families lucky enough to receive a Housing Choice Voucher, there are often challenges finding a landlord who will accept the voucher within the imposed time limit. Additionally, vouchers only cover the difference between 30 percent of the recipient's income and the determined Fair Market Rent (set by the Department of Housing and Urban Development, HUD), which in some high-cost neighborhoods is set lower than the actual market rate rent. Even residents of LIHTC units can experience persistent cost burdens due to the fact that the rents are based on affordability for a specified income level, not the actual income of the tenant.

Yet, there are equal threats to the supply of affordable housing. Unsubsidized affordable units in the market are often upgraded and rents are increased beyond affordability, or can be removed from the market altogether as the stock ages. For subsidized affordable units, contracts ensuring the affordability of over one million units are set to expire over the next ten years. Additionally, the reduced corporate tax rate under the Tax Cuts and Jobs Act, has reduced the value of LIHTCs to investors, which will mean less equity for developers to build affordable housing. Projections currently predict that this will result in construction of approximately 200,000 fewer units over the next ten years, even when accounting for the increased allocations to the program over the next four years.

The report claims that there are roles that local and state governments can play alongside the federal government to reduce cost burdens and expand option for affordable housing. Beyond contributing their own capital to leverage and expand federal housing programs, state and local governments can institute regulatory reform to encourage and enable developers to build affordable housing through instruments such as inclusionary zoning, density bonuses, and streamlined review processes. State and local governments can also use regulation and building code requirements to protect vulnerable households against losses and displacement as a result of natural disasters. These efforts can ease the pressures that lead to cost burdens impacting renters across the nation.

Amelie Bailey is a Master's candidate in the UNC-Chapel Hill Department of City and Regional Planning and a Community Revitalization Fellow with Development Finance Initiative.