Affordable Housing Crisis: Overview

Introduction

In the 2000s and 2010s, an increasing number of Americans—of varying income levels—found themselves struggling to pay for housing, inspiring discussions about housing costs and how to make housing more affordable, particularly for low- and middle-income people. The United States Department of Housing and Urban Development defines affordable housing as "housing for which the occupant(s) is/are paying no more than 30 percent of his or her income for gross housing costs, including utilities." To determine eligibility and set rates, affordable housing programs use the area median income (AMI), a calculation of household income levels in an area. Because of this variability, a unit determined to be affordable in the San Francisco Bay Area, for example, may be far more expensive than a market-rate unit elsewhere.

Whatever the criteria, policy makers and pundits agree that the nation is experiencing a housing affordability crisis. The *New York Times* reported in 2018 that "millions of low-income Americans are paying 70 percent or more of their incomes for shelter, while rents continue to rise, and construction of affordable rental apartments lags far behind the need." Across the country, as incomes fall, the percentages get worse: nationwide, only about one-third of those who make 30 percent of AMI or less can find affordable housing.

Though the lack of affordable housing is universally acknowledged, there is little consensus on what to do about the issue. The two primary solutions proffered are opposing and often antithetical to each other and reflect a deeply divided opinion of how government should or should not intervene. One argument is that the free market, unfettered from restrictive zoning and permitting processes, could provide more supply, thereby driving down demand and therefore cost. The other is that government should mandate the building of affordable housing, link housing requirements to business development, and provide direct assistance to those who can least afford housing.

Understanding the Discussion

Area median income (AMI): A calculation of household income levels in a metropolitan region as determined by the government. AMI is compared against area rental prices to determine what qualifies as affordable housing.

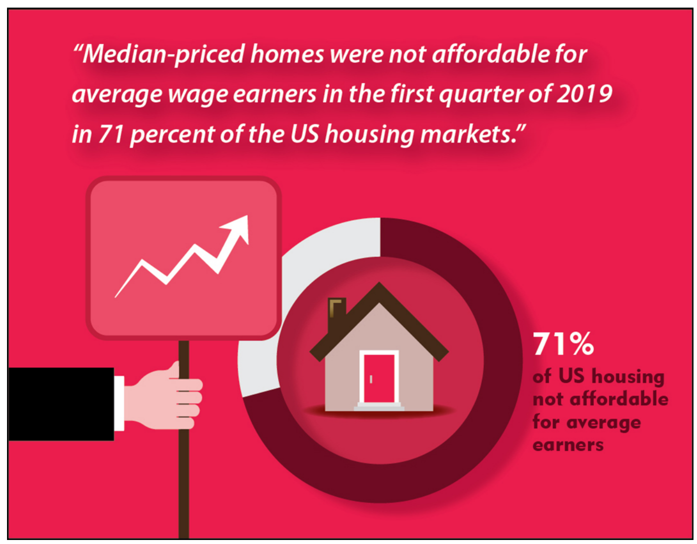
Filtering: In housing, the process by which upper-income housing becomes less desirable and therefore less expensive as it ages.

Housing Act of 1937: The federal law that first provided financing for local agencies to provide housing for low-income families.

National Housing Act of 1934: The federal law that established the Federal Housing Administration to assist lower-income homebuyers with mortgage insurance, thus reducing monthly payments and down-payment requirements.

United States Department of Housing and Urban Development (HUD): Founded in 1965, a cabinet-level department in the executive branch of government that administers housing and community development programs at the federal level.

Zoning: A set of local rules and regulations that dictate where certain kinds of buildings, such as factories or residences, are allowed to be built and that may determine other property features, such as heights, lot sizes, and parking space requirements.



Data from ATTOM Data Solutions, Q1 2019 US Home Affordability Index.

History

The search for affordable housing has been a constant theme throughout American history, but one that gained urgency as the nation industrialized and urbanized in the nineteenth century. Affordable housing is shaped by population growth, government regulation, labor conditions, and a myriad of so many other social and civil factors that it has defied simple definitions and solutions. Some local legislation subsidizing housing was enacted as early as 1926 in New York City, but it was during the Great Depression in the 1930s that the federal government first took a role in producing and protecting affordable housing.

The first federal agency set up specifically to address housing affordability during the Depression was the Federal Housing Administration (FHA), established in 1934 by the National Housing Act. The goal of the FHA was to assist with homebuying through mortgage insurance programs that reduced down-payment requirements and encouraged long-term mortgages with lower payments for both single- and multifamily homes. Soon after, the Housing Act of 1937 sought to address the needs of low-income renters by financing local public housing projects. This act was proposed to solve the needs of both low- and middle-income families and authorize the federal government to build in areas where housing was needed. However, by the time the act was passed, it had been changed to apply solely to low-income people, in part because of lobbying by professional realtor associations and because of concerns about incursions into property rights. The legacy of the public housing projects that arose from the Housing Act is complicated. Because of changes to the original act, housing projects tended to be cheaply made, poorly situated, and racially segregated. Opponents of federal housing regulation cite them as examples of a failed program, while others point out that the original bill would have been more comprehensive and had a greater impact. As of 2017, public housing provided homes for 2.1 million people, according to the Center on Budget and Policy Priorities. However, census data show 39.7 million US residents were living in poverty then.

Efforts were made to revise and expand affordable housing efforts at the federal level. For instance, the 1949 Housing Act spurred construction of over 300,000 public housing units over the next decade, but this fell far short of its proposed 810,000 units. Its legacy is also tainted by its heavy-handed destruction of city neighborhoods and urban renewal efforts that were poorly planned, often corrupt, and often replaced housing for the urban poor, identified as slums, with more expensive housing, public works, or in some cases, highways and industrial buildings. Public housing projects, chronically underfunded and poorly maintained, came to be seen as a blight in many areas and demolished or privatized whenever possible. In 1965, Housing and Urban Development (HUD) became a cabinet-level federal agency. HUD soon began to work with local and regional housing authorities to address the systemic issues plaguing public housing projects. Several alternative programs encouraged private investment in low-income housing through low-interest loans and subsidies. Though this did spur growth, the restrictions on those investments soon expired, and affordable units could be sold or rented at market rates.

In 1973, the administration of President Richard Nixon froze most new public housing programs. A year later, Congress implemented the section 8 program, which provides vouchers that can be used for private housing. The change ushered in a new set of issues, however, as private landlords often refused the vouchers and the program was underfunded, with long waiting lists. In the early 1980s, the federal government more than halved funding to HUD from mid-1970s levels. Instead the Ronald Reagan administration promoted private investment, spurred by the 1986 low-income housing tax credit for developers who promised to build affordable housing.

Affordable Housing Crisis Today

Since the section 8 system went into effect in 1974, rent vouchers and tax incentives have been the primary elements of federal housing policy. Responsibility for creating and maintaining affordable housing has increasingly been passed from the federal government to state and local authorities since the 1970s. Local boards and zoning regulations tend to work against affordable housing, however, as communities grow wealthier and prices rise. Homeowners, the primary political participants in any community, tend to advocate for decisions that will keep the value of their investment high by resisting lower-income housing nearby. Zoning rules strive to protect the rural or suburban character of communities by limiting multifamily housing, banning high-rise buildings, determining lot size, and otherwise barring the type of housing that would typically serve the population at the middle and low end of the AMI. In a case like Palo Alto, California, the influx of technology companies without a corresponding increase in housing meant that rent prices skyrocketed as supply fell far short of demand.

Though housing stock largely kept up with demand until the 1980s, it has slid far behind since then, exacerbated by a variety of factors, including the subprime mortgage crisis of 2007. (Subprime lending itself arose in part because of federal policy created in the 1990s that encouraged homebuying among those with 80 percent or less of median income.) By 2010, nearly 3 million homes had gone into foreclosure, forcing their former owners, then with poor credit scores, into the rental market to compete for housing that was already in high demand. As rental prices increased, credit ratings sank, and available credit dried up, fewer people could afford a down payment or qualify to purchase a house, increasing demand for rental properties. Between 2007 and 2016, 10 million more families across the country joined the rental market. According to a June 2018 article in *The Nation*, "There's been a 32 percent rise in the median asking rent since 2000, and the number of households that are rent-burdened, or forced to spend more than 30 percent of their income on rent, increased 19 percent between 2001 and 2015." In light of this growing demand for affordable housing nationwide, the debate over government versus free-market solutions has been rekindled.

These essays and any opinions, information, or representations contained therein are the creation of the particular author and do not necessarily reflect the opinion of EBSCO Information Services.

About the Author

Bethany Groff Dorau is a freelance writer, museum manager, and local historian based in West Newbury, Massachusetts. She holds a bachelor of arts degree in history and sociology and a master of arts degree in history, both from the University of Massachusetts at Amherst.

Bibliography

Covert, Bryce. “Give Us Shelter.” *The Nation*, vol. 306, no. 18, June 2018, p. 12. *Points of View Reference Center*, search.ebscohost.com/login.aspx?direct=true&db=pwh&AN=129756875&site=pov-live. Accessed 17 Apr. 2019.

“151 Years of America’s Housing History.” *The Nation*, 24 May 2018, www.thenation.com/article/americas-housing-history. Accessed 17 Apr. 2019.

Kusisto, Laura. “The Next Housing Crisis: A Historic Shortage of New Homes.” *The Wall Street Journal*, 18 Mar. 2018, www.wsj.com/articles/american-housing-shortage-slams-the-door-on-buyers-1521395460. Accessed 17 Apr. 2019.

Lewis, Roger K. “Let’s Go from ‘Public Housing’ to ‘Social Housing.’” *The Washington Post*, 3 May 2013, www.washingtonpost.com/realestate/lets-go-from-public-housing-to-social-housing/2013/05/02/2f96427e-b1a7-11e2-baf7-5bc2a9dc6f44_story.html. Accessed 17 Apr. 2019.

Schieferdecker, Alex. “Two Perspectives on the Housing Crisis: Affordable Housing vs Housing Affordability.” *Streets.mn*, 30 July 2018, streets.mn/2018/07/30/two-perspectives-on-the-housing-crisis-affordable-housing-vs-housing-affordability. Accessed 17 Apr. 2019.

Schneider, Benjamin. “The American Housing Crisis Might Be Our Next Big Political Issue.” *Citylab*, 2019, www.citylab.com/equity/2018/05/is-housing-americas-next-big-political-issue/560378. Accessed 17 Apr. 2019.

Thrush, Glenn. “As Affordable Housing Crisis Grows, HUD Sits on the Sidelines.” *The New York Times*, 27 July 2018, www.nytimes.com/2018/07/27/us/politics/hud-affordable-housing-crisis.html. Accessed 17 Apr. 2019.

Watson, Nicole Elsasser, et al. *Worst Case Housing Needs: 2017 Report to Congress*. Office of Policy Development and Research, US Dept. of Housing and Urban Development, Aug. 2017, www.huduser.gov/portal/sites/default/files/pdf/Worst-Case-Housing-Needs.pdf. Accessed 17 Apr. 2019.

Bethany Groff Dorau