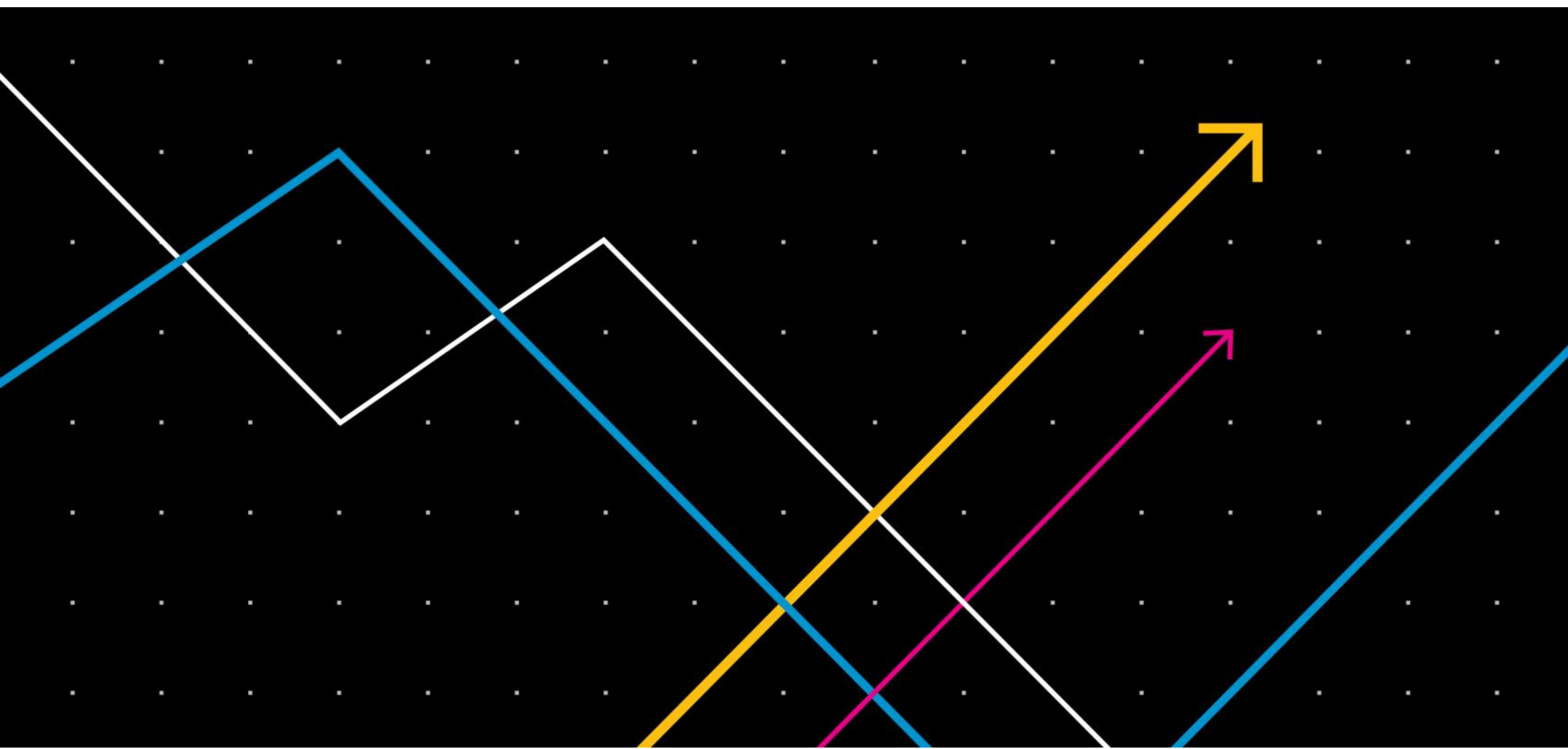

RESEARCH REPORT

Local and State Policies to Improve Access to Affordable Housing

An Examination and Assessment of Eight Policies Supported by Habitat for Humanity's Cost of Home Campaign

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Errata

This report was corrected on August 22, 2023. On page 13, the third paragraph was updated to clarify that Habitat Virginia's lobbying efforts were accompanied by lobbying efforts from other members of the Virginia Housing Alliance.

Executive Summary

Habitat for Humanity International (Habitat International), founded in 1976, is a housing-focused ecumenical Christian organization that focuses on home construction and rehabilitation. In the United States, local and independent affiliates do much of Habitat's day-to-day work; volunteer-built housing projects are the most well-known Habitat activity. In 2019, Habitat launched Cost of Home, a five-year advocacy campaign centered around influencing policy creation and implementation with the goal of supporting access to affordable homes for 10 million people. The campaign was designed both to promote the introduction and passage of affordable housing policies and to assist affiliates in their local work.

This assessment examines eight local and state policies related to housing that Habitat affiliates were involved in through advocacy and other efforts. This report explores each policy's theory of change and examines how available evidence may or may not support the expectations for policy impact. It also provides the measurement or estimation of outcomes based on publicly available data. The studied policies were selected from an initial pool of 64 enacted policies across the Cost of Home campaign's four general areas of focus: (1) increasing supply and preservation of affordable homes, (2) equitably increasing access to credit, (3) optimizing land use for affordable homes, and (4) ensuring access to and development of communities of opportunity. This assessment considers the initial impact of concrete policies supported by the campaign, not the implementation of the campaign itself. For each of the policies, the Urban team interviewed local affiliates and other stakeholders, reviewed policy documentation, constructed theories of change, and analyzed administrative and secondary data to assess the impact. The eight policies across the campaign's four major policy areas are as follows:

Increasing supply and preservation of affordable homes

1. The **Affordable Housing Bond** in Raleigh, North Carolina, has been effective in supporting a range of affordable housing projects in the city by providing a substantial funding resource for affordable housing development and homeowner supports. The components addressing homeownership and home repair and the designs to promote transit-oriented development are just starting to get underway.
2. The expansion of the **Virginia Housing Trust Fund** in 2021 injected a significant amount of additional funding into the Commonwealth's Trust Fund to promote affordable housing and

efforts to reduce homelessness. Initial patterns indicate that it has been effective in expanding the scope and geography of projects supported in the state.

3. The new **Summit County Affordable Housing Trust Fund** in Ohio, while just beginning, has supported housing development and preservation projects, which has been useful in expanding the local affordable-housing funding ecosystem and supporting nonprofit housing developers, particularly in scattered-site small-scale projects that previously lacked clear financing pathways.

Equitably increasing access to credit

4. The **Home Purchase Assistance Program** in Washington, DC, increased the maximum down payment assistance amount for fiscal year 2023. We find that the program is an important tool for expanding homeownership opportunities to low- and moderate-income households in DC. However, while detailed program data is not fully available, the increase in the maximum assistance amount will likely have a limited impact in the program's implementation and outcomes, given past trends.

5. The **Rent Reporting for Credit Pilot Program** in Colorado, which helps renters build credit through reporting timely rent payment to consumer reporting agencies, was able to enroll 282 tenants to participate, spread across 28 properties managed by six different landlords. Preliminary reports from the state point to an increase of 67 points in the average FICO credit score of participants after a year of pilot implementation. Our estimates suggest that a policy of this kind at the state level could increase credit scores for almost 9,000 people, start credit histories for over 1,000 people, and move up thousands of Coloradans to better credit score tiers.

Optimizing land use for affordable homes

6. Four years after its creation, the **Affordability Unlocked** program in Austin, Texas, which waives or alters development restrictions for projects that include housing affordable to low- and moderate-income households, has approved 7,678 new rental and ownership housing units—1,920 units per year—of which almost 70 percent are affordable at 80 percent of the median family income (MFI) or below. We found this program to be effective in producing affordable housing at rates greater than other affordable housing programs in the city and particularly impactful for mission-oriented developers that already work with other bonus or subsidy programs.

7. Analysis of the **housing choices bill** in Oregon, which expands the types of housing that can be built in residential areas previously zoned for only single-family housing, did not yield conclusive or clear results 6 to 18 months after implementation. Available data suggests that the policy may have modestly increased the number of building permits for duplexes in small cities, but it does not yet appear to have significantly affected permits for duplexes, triplexes, and fourplexes in larger cities, even though multifamily housing overall is growing as a share of all housing across the state. However, as most affected municipalities did not implement zoning code changes until 2022, more time is needed to understand the long-term impact of the bill.

Ensuring access to and development of communities of opportunity

8. Examination of the **just cause eviction bill** in Washington, which requires landlords seeking to evict a tenant to have an approved reason for the eviction, indicates that it, along with other recently passed tenant protections such as right to counsel, may have helped stem the increase of eviction filings after COVID-19-related renter protections ended.

The eight policies in our assessment represent a diverse range of interventions, goals, and contexts, but share two important characteristics: they are all comparatively new and they were all implemented during COVID-19. Coming out of the pandemic, the US housing market is still in a state of flux. In the homebuyer market, higher interest rates coupled with long-standing trends of demand outstripping supply are forcing both buyers and sellers to reassess their assumptions. In the rental market, rapid inflation with higher rents have financially burdened lower-income renters. Given these ongoing uncertainties, continued assessment and monitoring will be important for determining their impact going forward. However, even in our preliminary set of assessments, we found promising initial outcomes and learning opportunities about implementation in these locales and beyond.

Local and State Policies to Improve Access to Affordable Housing

Habitat for Humanity International (Habitat International), founded in 1976, is a global housing nonprofit ecumenical Christian organization that builds and improves affordable homes across the United States and in 70 countries. As per its mission, Habitat International "seeks to put God's love into action by bringing people together to build homes, communities, and hope." In the United States, Habitat International's work in the United States happens through its affiliate network. Affiliates are independent nonprofit organizations that build and improve housing in their local community. Most home construction and rehabilitation activities involve partnerships with volunteers and future Habitat for Humanity homeowners.

In 2019, Habitat for Humanity International launched Cost of Home, a five-year advocacy campaign centered around influencing policies and systems with the goal of supporting ten million people having increased access to affordable homes. This was Habitat International's first national policy advocacy campaign, designed to support its network affiliates in their efforts to promote affordable housing, to identify and advance innovative and impactful policies, and to determine best practices for Habitat International's support for housing-related policy advocacy.

According to Habitat International, Cost of Home has supported over 300 policy and system changes and resulted in a projected 6.6 million people with increased access to stable, affordable housing, in part by unlocking over $20 billion in government funds for home affordability. The campaign has provided a platform to coordinate the labor of local Habitat organizations, partners, and volunteers toward advocacy across four major policy areas. We list the policy areas below, followed by Habitat International's description of each:[1]

1. increasing the supply and preservation of affordable homes

   "The Cost of Home campaign will support policies that increase the production, preservation, and accessibility of homes affordable for lower-income households, as well as solutions that enable lower-income renters and homeowners to keep their homes during times of hardship."

2. equitably increasing access to credit

"The Cost of Home campaign will support advocacy for policies that increase and broaden access to safe and sound credit for underserved populations and communities, and that help close the homeownership gap for Black households and other communities of color"

3. optimizing land use for affordable homes

   "The Cost of Home campaign will support advocacy for policies related to land acquisition, use, and development to bring down the cost of home building, stimulate the production and preservation of affordable housing, and promote fairer housing opportunities for people of color and lower-income families."

4. ensuring access to and development of communities of opportunity

   "To increase housing opportunities outside of segregated communities for lower-income households and persons of color, affordable homes must also be built and made available in environmentally sound areas with access to economic and social opportunities and viable transportation. Independent of location, homes must be well-constructed and mitigated against disasters to control the health, maintenance, sustainability and energy costs of the home."

A non-public midterm evaluation commissioned by Habitat International that examined the campaign's implementation objectives found that Cost of Home had been effective in increasing local- and state-level advocacy capacity and that the framework had been able to respond to the ever-changing policy environments of the COVID-19 pandemic era. The evaluation stressed that the Cost of Home campaign cannot be distilled down to a single unified campaign in terms of housing policy elements but should be understood as a capacity-building initiative that supports affiliate advocacy for a range of policies designed to promote affordable housing and more equitable communities.

Assessment Approach

After examining the Cost of Home campaign implementation and process, Habitat International sought to better understand the concrete impact of local campaigns. Habitat International contracted the Urban Institute to complete an independent assessment of the impact of some of these campaigns by examining the outcomes of eight policy "wins." Habitat International provided an initial set of policies supported by the campaign, which Urban reviewed together with Cost of Home annual reports, and identified 64 policy wins to be closely considered for this assessment project. Urban's team scored each of these in terms of their relevance to the larger campaign and the feasibility of estimating or measuring their outcomes. The following characteristics were considered in scoring:

- the type of policy (i.e., bond, trust fund, renter protection, etc.)
- the scale of the policy's potential impact
- the availability of relevant literature and evidence from other markets that have implemented similar measures

Urban then assessed the policies with top scores to determine how they represented their geographical regions and housing market context and the type of solution they provided (e.g., supply, land use, credit, or opportunity). This process yielded a list of 28 policies, which was then narrowed down to a short list of 12. The Urban team then contacted the 12 Habitat affiliates that directly engaged in the advocacy efforts for these policies to gather additional background information and context. After considering factors such as measurability of impact, availability of data, geographical diversity, housing market diversity, policy area diversity, and input from local Habitat affiliates and Urban's own policy experts, Urban selected the following eight policies across the campaign's four major policy areas.

Increasing supply and preservation of affordable homes

1. **Affordable Housing Bond** in Raleigh, North Carolina: The bond provides $80 million in affordable housing dollars. The total bond amount is being utilized in stages over five years, beginning July 1, 2021.
2. **Virginia Housing Trust Fund**: The trust fund was expanded to $70.7 million in fiscal year 2021, a significant increase over previous allocations.
3. **Summit County Affordable Housing Trust Fund** in Ohio: The trust fund provides $600,000 in grants and loans supporting the creation, development, rehabilitation, programming, and preservation of affordable housing in Summit County for low-income households. The trust fund is a partnership between the Western Reserve Community Fund and Summit County.

Equitably increasing access to credit

4. **Home Purchase Assistance Program** in Washington, DC: The District of Columbia doubled the amount of down payment assistance available for low- and middle-income households, with applicants now eligible for up to $202,000 in low-interest loans.
5. **Rent Reporting for Credit Pilot Program** in Colorado: Pilot participants' on-time rental payments are reported to credit agencies with the purpose of building credit. The pilot program currently includes 282 participants, but it could impact all Colorado renters if it becomes a statewide policy.

Optimizing land use for affordable homes

6. **Affordability Unlocked** program in Austin, Texas: The program offers extensive waivers and modifications of development regulations to developers in exchange for them setting aside at least half of a development's total units as affordable housing units.
7. **Housing choices bill** in Oregon: The bill allows property owners to build a greater range of housing types—duplexes, triplexes, fourplexes, and cottage clusters—on land previously reserved for single-family housing in cities with more than 25,000 residents and cities in the Portland metropolitan area. It also allows duplexes in cities with 10,000–25,000 residents.

Ensuring access to and development of communities of opportunity

8. **Just cause eviction bill** in Washington: The bill requires landlords to provide a reason for eviction, such as failure to pay rent, unlawful activity, nuisance issues, or the landlord's intention to sell or move into a rental property. Previously, landlords were allowed to end month-to-month leases without providing a reason.

To assess each policy, Urban conducted interviews, collected available program data, and used secondary data sources to estimate trends, outputs, and outcomes. Urban interviewed staff from local Habitat affiliates who were familiar with the policy's design, purpose, and implementation details to gain background information and insights. Urban also conducted semistructured interviews with other policy stakeholders, such as partner organizations and policy experts who were likely to provide additional insights, including potential data sources for output and outcome measurement.

For each policy, we provide a detailed description of how it operates and how it came to be; a theory of change; background on the local housing market and local policy; our analysis on implementation, outputs, and outcomes; and an overview of the outlook for the policy, both locally and more broadly. For a subset of the policies we also provide a review of literature and available evidence. There are a

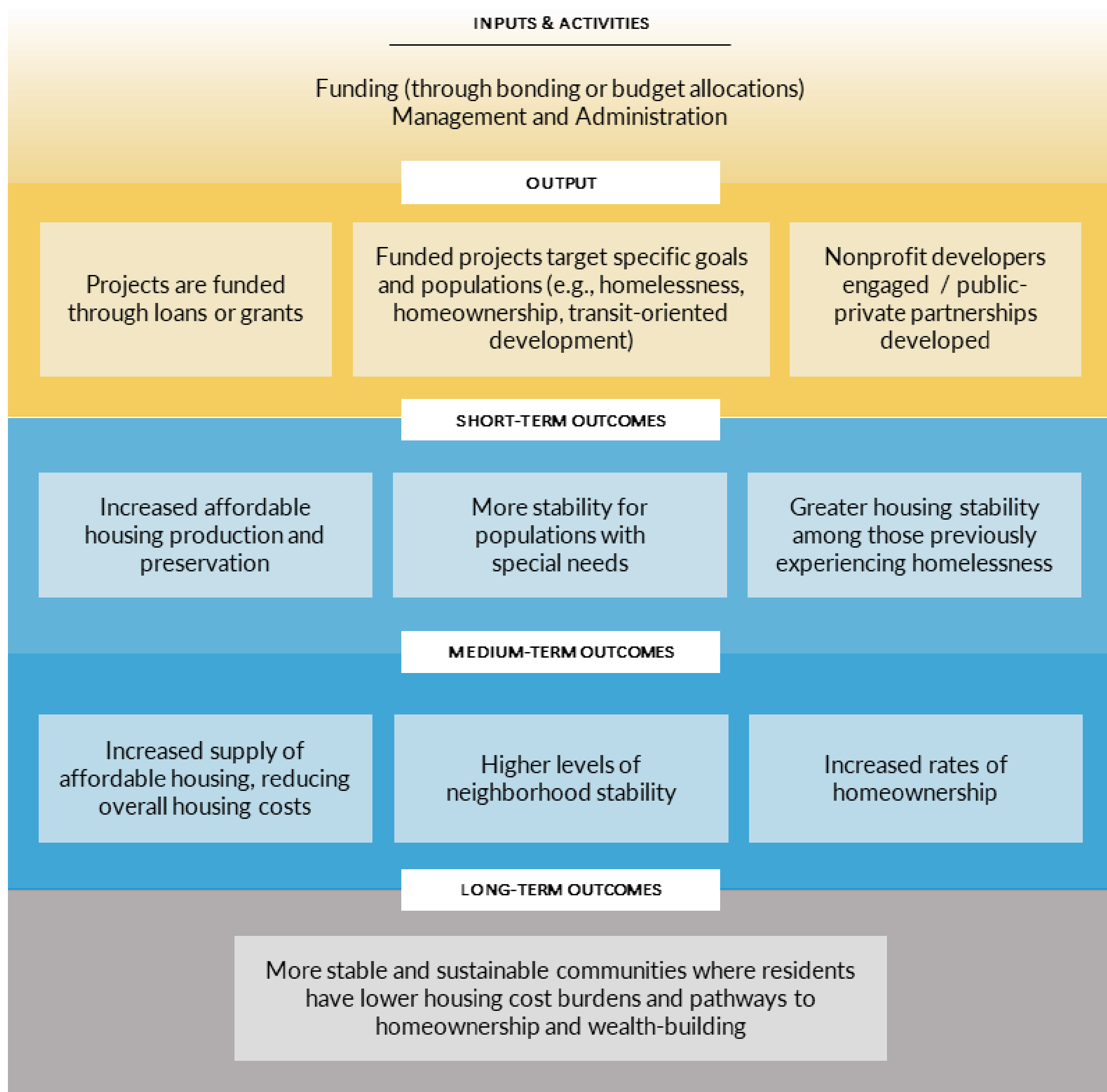
few points to keep in mind when reviewing these pieces. First—and most importantly—these are “mini” policy assessments and not fully elaborated evaluations comparing policy outcomes with control populations. Second—and related to the first—these are *new* policies. This is particularly important to keep in mind when reviewing housing policies. While changes in many policy realms lead to process and programmatic changes that can be measured immediately, the effects of zoning and land use innovations, for example, may only be fully understood over the course of decades. Finally, we stress that these policies were implemented, for the most part, in the middle of the COVID-19 pandemic, which had a host of destabilizing effects on housing markets, led to a range of policy innovations, and continues to have aftereffects.

Increasing Supply and Preservation of Affordable Homes

The three policies examined in this section have the broadly similar aim of providing funding for affordable housing initiatives. In other words, the three policies have a similar form, even if what they provide funding for varies. They have different scopes and targets of interest, but they all aim to provide more funding for affordable housing through nonprofit housing developers (figure 1).

FIGURE 1

Theory of Change for Housing Supply and Preservation Bonds and Trust Funds



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Source: Developed by the authors based on public information and stakeholder interviews.

Affordable Housing Bond in Raleigh, North Carolina

Raleigh, the capital of North Carolina and part of the state's Research Triangle, has seen rapid growth in recent decades, including 260,292 new residents since 2010—the second-highest population growth of all metropolitan areas in the United States with 1 million or more residents.[2] As with many rapidly

growing areas, the city (and region) has struggled to meet housing demand, and costs have escalated: rents increased by over 20 percent between 2014 and 2021 and home prices increased 22 percent in 2020 to 2021 alone (Raleigh Housing 2022). As housing costs have increased, affordability has declined, particularly for lower-income households. Disruptions from COVID-19 exacerbated these trends; the city's *Affordable Housing Annual Report* noted the effects of "supply chain disruption, high material costs, labor shortages, and rising interest rates" on affordable housing production (Raleigh Housing 2022).

Within this environment, ongoing efforts in Raleigh have addressed ways to promote affordable housing creation and preservation. One of the largest initiatives to date has been Raleigh's Affordable Housing Bond, a government-issued bond that raised $80 million to address housing affordability challenges by providing resources for housing production and preservation and supporting wealth-building through homeownership.

In the lead-up to the passing of the bond, there had been talk among housing organizations in Raleigh about the need for a bond, especially given that the amount of money dedicated from the prior bond was not enough. In response to this conversation, Habitat Wake supported the passing of the bond in several key ways. The CEO of Habitat Wake sat on the Advisory Committee that designed the campaign behind the bond. Once the bond was designed, Habitat's Director of Advocacy at the time also sat on the bond's campaign team. As a member of the team, Habitat leveraged their network by sending out materials, raising awareness about what the bond was and doing speaking engagements. Habitat also organized a coalition of nonprofit housing organizations called Wake Affordable Housing Coalition and their first major action was supporting the campaign.

In advance of the bond going on the ballot, the city formed a 24-member Affordable Housing Bond Advisory Committee composed of community members and local organization staff to explore options, seek public input, and propose a preferred bond package. There were multiple internal discussions on the size of the bond (with some calling for a larger amount) and on its targeting: some stakeholders pushed for limiting bond funds to only projects that served people making 30 percent or less of the area median income (AMI). More generally, there was an effort to create a framework for ballot approval that created guidelines but was flexible enough to meet changing conditions.

The bond passed with 72 percent in favor on the November 2020 ballot.[3] The bond's funds, to be utilized across five years (2021–2026), are allocated to four main categories:

- **gap financing:** Gap financing is short-term capital provided to developers to meet an immediate financial obligation. Raleigh's Rental Development Program provides gap financing to

developers of affordable multifamily housing to help them purchase and rehabilitate eligible private rental units.

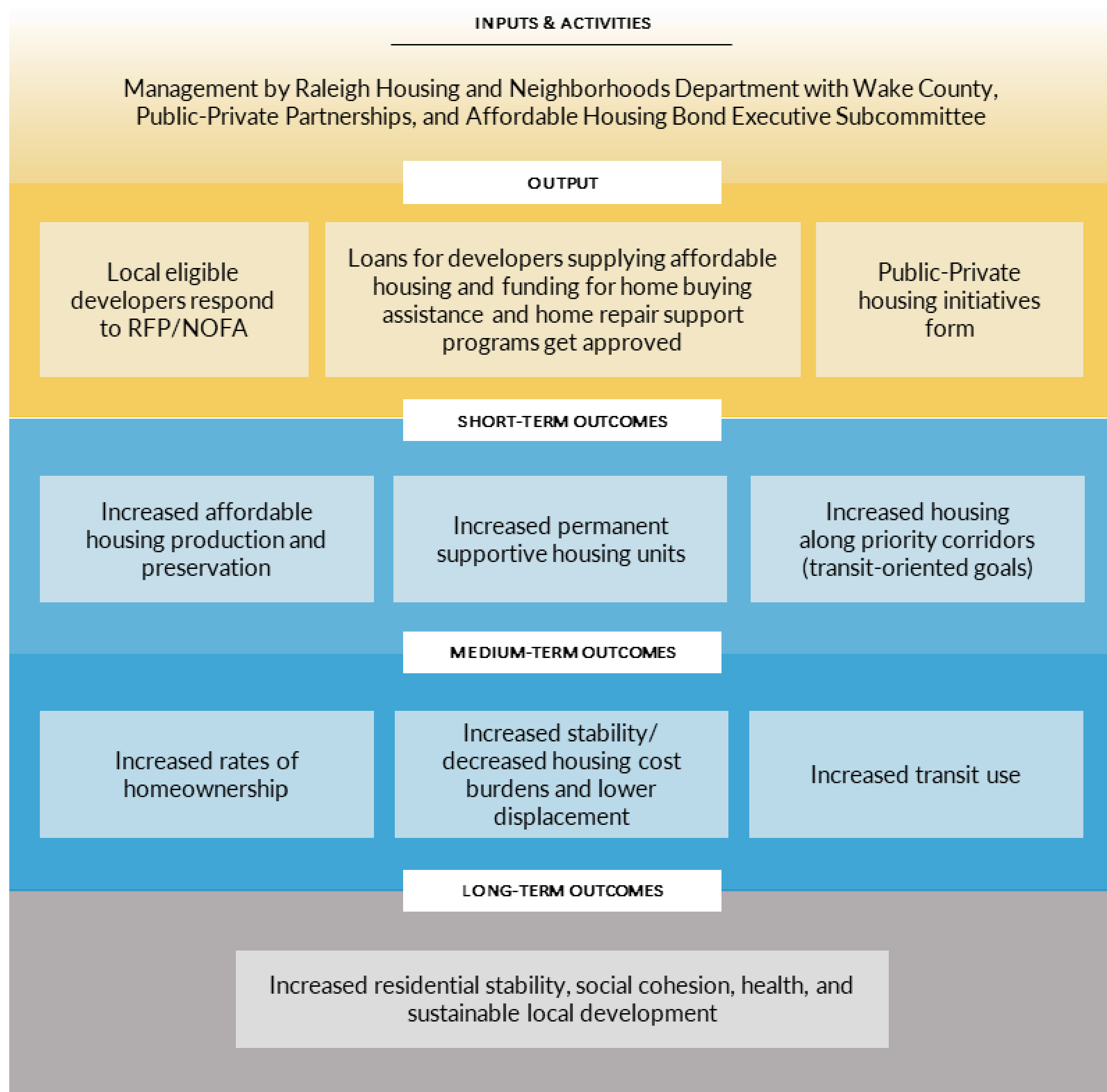
- **public-private partnerships:** The bond supports small-scale, nonprofit housing projects where at least one-third of units would be affordable to households making 30 percent or less AMI.
- **homebuyer assistance:** The homebuyer assistance program offers down payment assistance in the form of zero-interest loans to first-time homebuyers earning no more than 80 percent AMI. Additionally, no payments on the loan are due until the borrower sells the property or no longer uses the home as their primary residence.
- **home repair:** The Homeowner Rehabilitation Program provides loans to help eligible homeowners finance the cost of major repairs to their homes. The loans are deferred payment zero-interest loans usually maxing out at $90,000. The loans are forgiven after five years unless the borrower sells the property or no longer resides at the home prior to the end of the loan term.

The structure of Raleigh's Affordable Housing Bond is unlike other general obligation bonds. The Raleigh bond allocates the bond's revenue specifically toward issuing loans for one or more housing projects. Bondholders then look for repayment from the projects and developers that made use of the bond's proceeds.

The theory of change for Raleigh's Affordable Housing Bond, while aligning with the more general model presented above, has a few features that stand out. First, in terms of outputs, the public-private partnership stands out: the goal is not just to fund projects, but to build local nonprofit developer capacity so they can put these projects together more effectively. In this sense, there is a concerted attempt to build out the local ecosystem of affordable housing production and preservation. Second, building around transit corridors, with the long-term aim of supporting more sustainable local development patterns, is a theme throughout. Finally, the two policies aimed at supporting new and existing homeowners are designed to both increase stability and promote wealth creation (figure 2).

FIGURE 2

Theory of Change for Raleigh, North Carolina, Affordable Housing Bond



Source: Developed by the authors based on public information and stakeholder interviews.
Notes: RFP = request for proposal; NOFA = notice of funding availabilities.

OUTCOMES TO DATE

To date, projects supported by the bond have involved 639 units, mostly split between the public-private partnerships and low-income housing tax credit (LIHTC) gap financing projects (table 1). One

project, involving a nonprofit purchasing an apartment complex to retain affordability, is complete; the others remain in predevelopment and construction phases.

TABLE 1

Raleigh's Affordable Housing Bond Funding

Bond bucket	Total funds	Funds available in budget	Funds committed or spent	Total units
Public-private partnerships	$28,000,000	$16,000,000	$14,000,000	308
LIHTC gap financing	$24,000,000	$9,600,000	$9,700,000	331
Site acquisition*	$16,000,000	$12,000,000	$7,526,555	TBD
Homebuyer assistance	$6,000,000	$1,500,000	$180,000	3
Home repair	$6,000,000	$1,500,000	$0	0
TOTAL	**$80,000,000**	**$40,600,000**	**$31,406,555**	

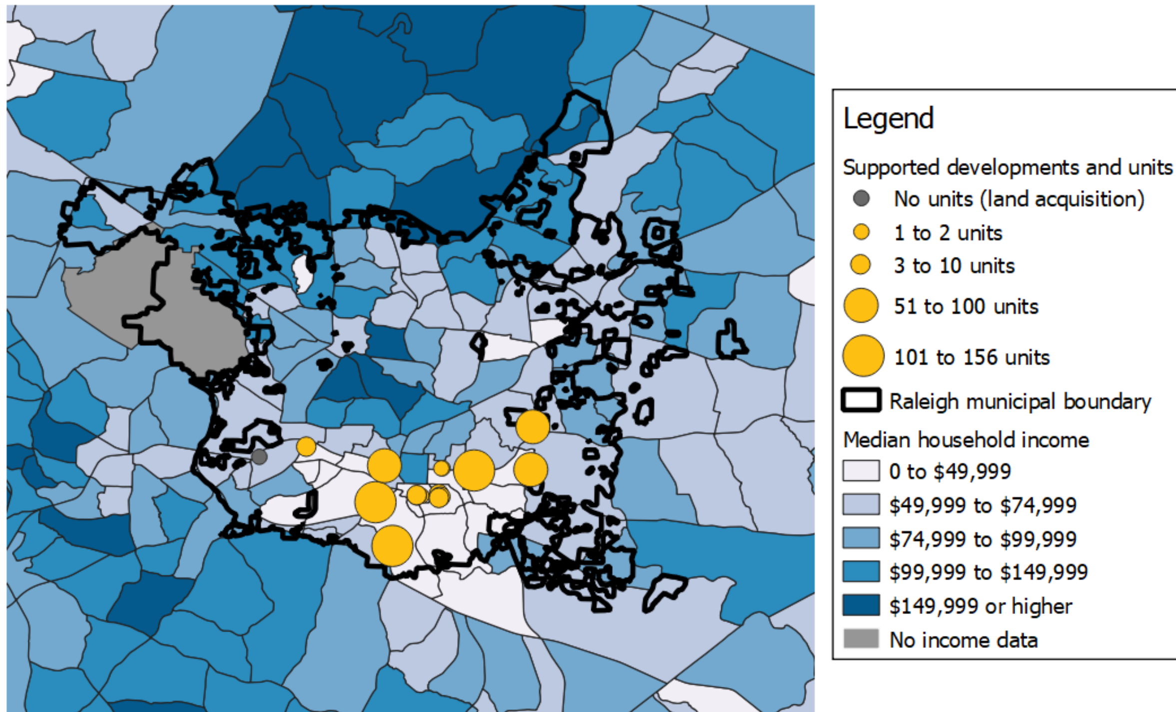
Source: City of Raleigh, "Affordable Housing Bond Projects," last updated July 3, 2023, https://ral.maps.arcgis.com/apps/dashboards/5e850f4e17c8462298d95ae198fdf2c4.

Note: * Properties acquired by the city of the Raleigh to be used in a future request for proposal to support other bond activities.

All of the funded projects to date (aside from homebuyer assistance, where addresses are not available for privacy reasons) have been in South Raleigh, with nearly all of them in the southeast part of the city (figure 3), in the neighborhoods with the lowest median household incomes and highest share of Black residents. The exceptions are a city-purchased vacant lot and a nine-unit affordable rental project for young people aging out of foster care.

FIGURE 3

Raleigh, North Carolina, Affordable Housing Bond Funding Locations



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Source: Dashboard and IPUMS 2017–2021 American Community Survey Census Estimates.

In terms of overall bond implementation to date, the projects furthest along are the public-private partnerships and the LIHTC gap financing. As one stakeholder interviewee noted, this was partially because the models for these efforts were already in place, and nonprofit and for-profit developers were already familiar with how to make these sorts of projects work.

Bond funds have not yet been used as much for homebuyer assistance and home repair. The City of Raleigh recently signed an agreement with a contractor for home repair,[4] and to date, homebuyer assistance funds have only been used three times. Interviewees noted that making the homebuying assistance component useful would be a particular challenge given program requirements. Although the enhanced program supported by the bond increased the maximum purchase price from the basic program (to $450,000 from $323,000),[5] its program requirements (e.g., first-time homebuyers earning less than 80 percent AMI, properties in certain parts of the city), coupled with rapid price increases in the city, make it a challenge for eligible potential homebuyers to find appropriate houses.

The balancing act of using funds as expansively and effectively as possible is hard to navigate. While Raleigh has worked to incorporate bond projects into its equitable transit-oriented development efforts

(City of Raleigh 2020), stakeholder interviewees noted that land acquisition in priority corridors would be tough, given relatively higher real estate prices and competition for parcels. As figure 3 shows, most investment to date has been concentrated in one part of the city. This does make sense: funds go further where property and housing costs are lower, and funds also target housing investment in neighborhoods that often have had less investment in recent years. But this is a two-edged sword: investment in previously disinvested communities can also bring up concerns about displacement and gentrification.

Aside from geographical concerns, the disruptions of COVID-19 have altered expectations. Even without all bond funds going to households with incomes below 30 percent AMI, escalating development costs and extended timelines have made it difficult for some projects supported by bond funds to "pencil out." This has meant some projects have needed to request additional bond funds to continue to be viable. As interviewees noted, this is particularly salient for smaller projects, which cannot easily piggyback deeply affordable units on top of market-rate units like larger projects can.

POLICY OUTLOOK

The effects of Raleigh's Affordable Housing Bond are only starting to come into focus. To date, it has already supported hundreds of new affordable housing units. With all approved gap financing and public-private partnership going to rental housing projects, its effectiveness in promoting homeownership initiatives such as development, homebuyer assistance, or home repair is still to be determined. Given that it passed with broad support, at this point it seems that this bond—and perhaps future ones—are on solid institutional footing for providing one piece of the housing affordability puzzle.

Two elements of the process in Raleigh are particularly relevant elsewhere. First, stakeholder interviewees all noted that the flexibility built into the bond means it is open-ended enough to be able to adjust to changing conditions. Interviewees also noted the city government's openness to feedback and incorporation of advisory committees may be particularly valuable not only in responding to changing needs and challenges, but also in maintaining local support and buy-in. The second, related point concerns communication. Interviewees noted that the city government has done a good job providing information on the bond. Its landing page contains reports, status updates, and links to project data and presentations.[6] However, interviewees also noted that these materials were more useful to already-knowledgeable people and organizations than to the general public, and more concerted public communication about the bond funds would help highlight how they were being used. For the initiatives

tailored to individual households (homebuyer assistance and home repair), this could also help to garner interest and participants.

Virginia Housing Trust Fund

The Virginia Housing Trust Fund (VHTF) provides a flexible source of funding administered at the state level to support activities that combat housing insecurity. The VHTF was authorized under the McDonnell administration in 2013, funded by a mortgage settlement following the 2008 financial crisis. We focus here on the substantial increase of the housing trust fund starting in fiscal year 2020–2021, when the amount funded increased from $14 million in the previous year to $70.7 million.

After the Virginia Housing Partnership Fund shut down in 1990, housing nonprofits in Virginia began lobbying for a Housing Trust Fund. Habitat Virginia's lobbying, together with other members of the Virginia Housing Alliance, supported the eventual creation of the Virginia Housing Trust Fund, though initially the fund did not have a dedicated funding source. Subsequent lobbying over time by Habitat Virginia and others eventually led to the inclusion of General Revenue funds to be dedicated towards the Trust Fund, and for increased funding over time. As table 2 shows, allocations increased nearly fivefold between 2019–2020 and 2020–2021.

TABLE 2

Annual Virginia Housing Trust Fund Allocations, Fiscal Years 2017–2018 through 2022–2023

	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022	2022–2023
Competitive Loan Pool	$4,290,000	$8,580,000	$11,200,000	$23,803,200	$44,000,000	$60,000,000
Homelessness Reduction Grant Pool	$1,100,000	$2,200,000	$2,520,000	$15,368,800	$8,300,000	$11,500,000
Rent and Mortgage Relief Program				$28,200,000		
Permanent Supportive Housing				$500,000	$500,000	$500,000
Administration	$110,000	$220,000	$280,000	$2,828,000	$2,200,000	$3,000,000
Totals	$5,500,000	$11,000,000	$14,000,000	$70,700,000	$55,000,000	$75,000,000

Source: Compiled from Virginia Legislative Information System, Reports to the General Assembly. "Virginia Housing Trust Fund Structure and Use Plan and Loan and Grant Fund Impacts," annual updates for FY2018 through FY2023.

Housing trust funds are unique in their flexibility. Unlike many other funding measures that have stipulations on the kinds of projects they can fund, housing trust fund dollars can be used on a wide variety of initiatives, from funding new construction of affordable rental housing to supporting

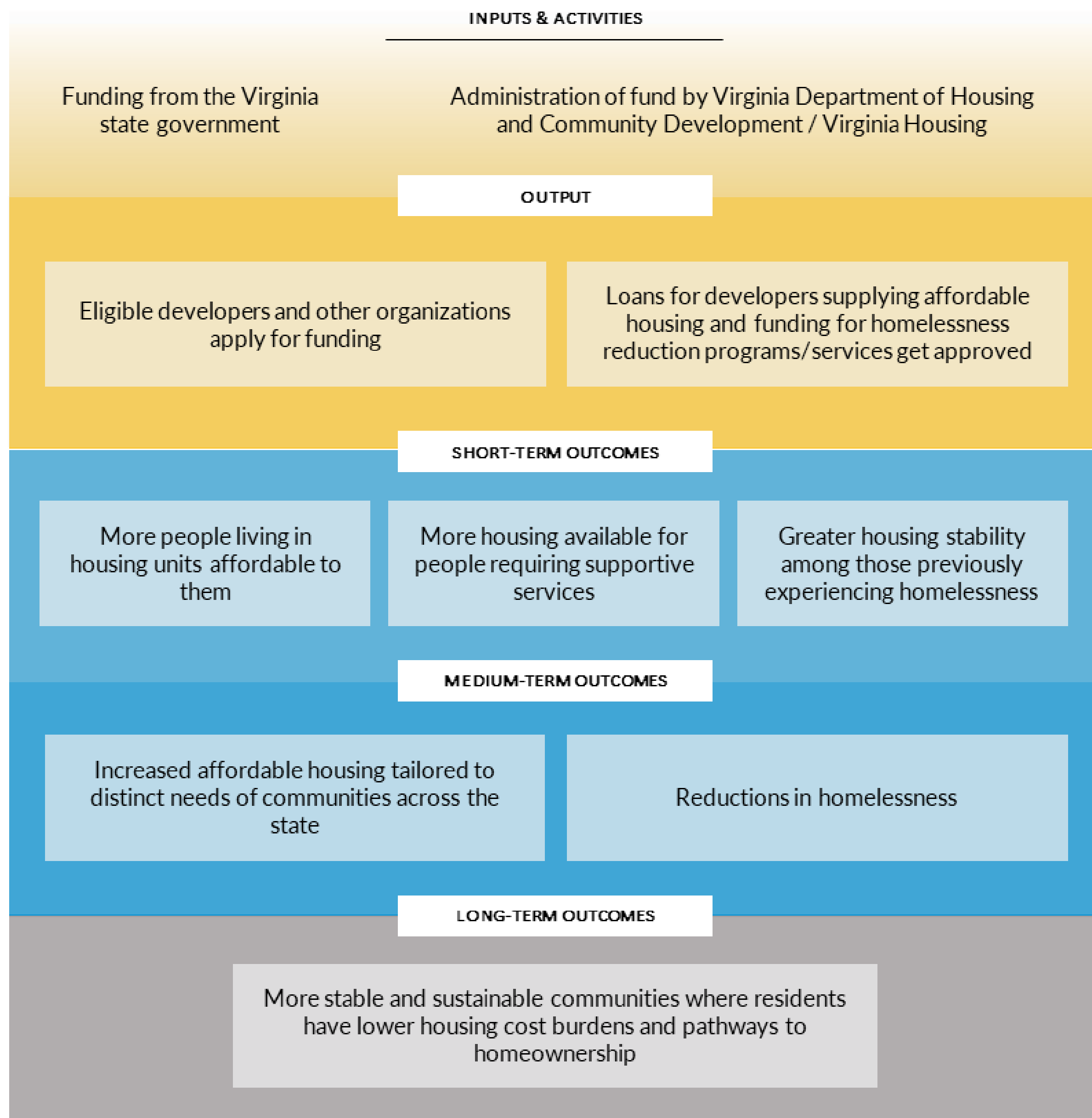
homeownership to supporting neighborhood revitalization. Virginia's is structured to target two specific goals, each addressed with a separately administered program.[7]

1. The first goal is to provide loans to reduce the cost of homeownership and rental housing, and 80 percent of the fund is allocated for providing these low-interest loans to developers who supply affordable housing that align with the government's policy goals and initiatives. Loan allocation considers criteria such as affordability, sustainability, feasibility, and overall projected impact on the state's housing availability. The loan's provisions encourage developers to also use and leverage external funding sources such as tax credits or other programs.
2. The second goal, which receives the other 20 percent of the fund, is to provide grants for targeted efforts to reduce homelessness. These grants are awarded through a competitive process to projects that align with Virginia Balance of State Continuum of Care local planning group strategies.[8] Examples include rapid-rehousing projects, projects for unaccompanied homeless youth or older adults experiencing homelessness, and services for households living in permanent supportive housing.

The two primary initiatives informing VHTF's approach—funding for housing development and funding for homelessness reduction programs and services (figure 4)—offer a multifaceted approach designed both to increase the supply of affordable housing and to ensure that there are resources for people and households who need additional targeted supports and the organizations who work with them.

FIGURE 4

Theory of Change for Virginia Housing Trust Fund



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Source: Developed by the authors based on public information and stakeholder interviews.

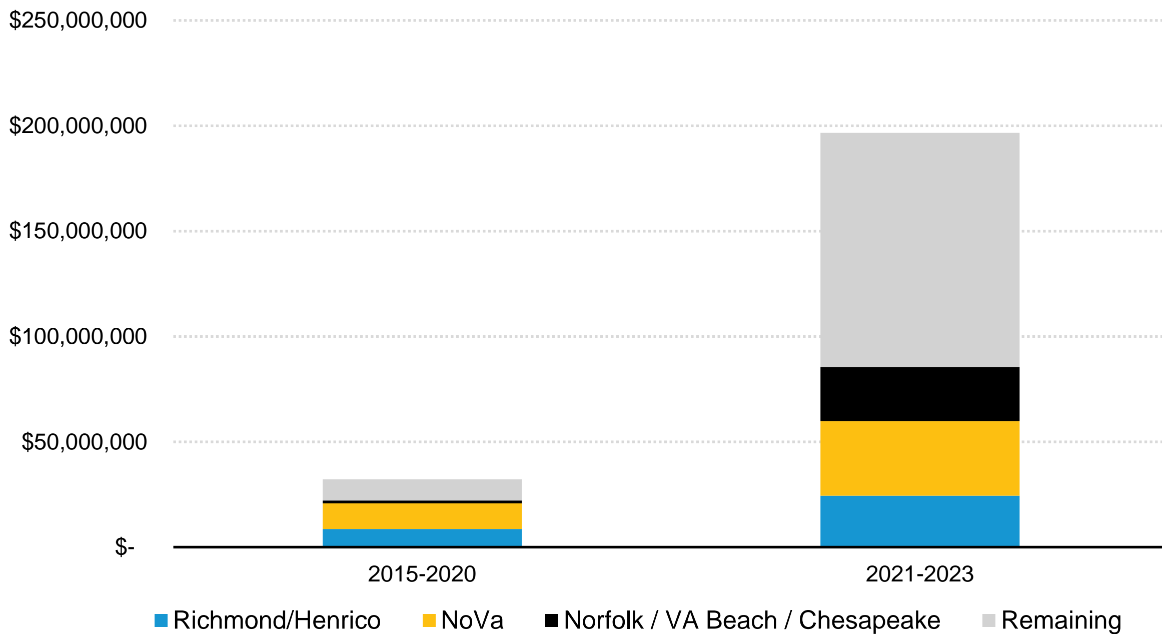
OUTCOMES TO DATE

The substantial increase of the trust fund has, naturally, led to significantly more projects being funded throughout the state: for the housing development loans, this has meant an increase of total funding from $32 million between 2015 and 2020 to $197 million between 2021 and 2023 (figure 5). This

increase in funding has also led to a broader geographical distribution of fund-supported projects. In the 2015–2020 period, 69 percent of developments funded were located in Richmond and Henrico Counties, Northern Virginia (Arlington, Alexandria, Fairfax, and Loudon), or the Norfolk, Virginia Beach, or Chesapeake areas. In the 2021–2023 period, that share dropped to 44 percent. This means while funding in these regions has increased sharply, a considerably larger share of funding is now going elsewhere (figure 5).

FIGURE 5

Virginia Housing Trust Fund Housing Development Spending by Geography



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Source: Urban computation of VHTF housing development spending, 2015–2023. Numbers for 2015–2020 from Housing Forward Virginia, "VHTF Project Dashboard," January 11, 2022, https://public.tableau.com/app/profile/housingforward.virginia/viz/VHTFProjectDashboard/vhtf-dashboard.

Notes: NoVa = Northern Virginia, VA Beach = Virginia Beach.

As table 3 shows, the number of units and households supported through the trust fund have increased substantially. The number of units created or preserved more than doubled between 2019–2020 and 2020–2021. The number of households supported by homeless-reduction grant funding has also increased markedly, although on a somewhat different time horizon: during fiscal year 2019–2020, the share of trust fund dollars that could be allocated to homeless support increased from 20 to 40 percent to respond to COVID (for 2020–2021 the allowable share was moved back down to 20 percent). Because of this, there were approximately twelve times more units created or preserved in

2021–2022 compared to 2017–2018, and approximately six times more households assisted through homeless support and supportive housing grants.

TABLE 3

Annual Virginia Housing Trust Fund Allocations, Fiscal Years 2015–2016 through 2021–2022

Fiscal year	Units created or preserved	Homeless support and supportive housing
2015–2016	542	250
2016–2017	359	200
2017–2018	330	200
2018–2019	1,226	200
2019–2020	1,308	988
2020–2021	2,835	859
2021–2022	3,874	1,197

Source: Compiled from Virginia Legislative Information System, Reports to the General Assembly. "Virginia Housing Trust Fund Structure and Use Plan and Loan and Grant Fund Impacts," annual updates for FY2017 through FY2023.

POLICY OUTLOOK

Although trust fund dollars are subject to appropriation (and therefore subject to both increases and decreases), the higher levels first achieved in fiscal year 2021 have been sustained across administrations. This could represent a new normal, particularly as funded projects seem to be increasingly reaching parts of the state beyond Northern Virginia, Richmond, and the Norfolk region. It also indicates that lobbying efforts over time, including Habitat Virginia's, have kept bipartisan support for the trust fund. However, interviewees noted that there are still challenges reaching and supporting efforts in smaller and rural communities. There may not be anything wrong with the trust fund's allocation process per se, but limited local capacity to propose projects and put together financing is a real constraint and concern that merits ongoing monitoring in the years ahead. To this end, the trust fund can be linked to local capacity building and connections can be identified to make these sorts of projects more likely to be proposed, funded, and developed.

Summit County Affordable Housing Trust Fund in Ohio

Summit County, Ohio, and its largest city, Akron, provide a different housing market context than other cities in this study, as the county's housing market is stable with comparatively weaker demand. The county's population peaked in 1970 at just over 550,000, and as of 2022 stood at an estimated 535,000. Akron itself has approximately 190,000 residents, down from 290,000 in 1960. Broadly speaking, the

area was, like other cities in the industrial Midwest and Northeast, affected by significant deindustrialization and out-migration during the last decades of the 20th century. Overall, housing is relatively inexpensive (with a median owner-occupied housing unit value of $87,100 in Akron and $159,800 in Summit County[9]), but much of the housing is older and, because it often costs more to develop or preserve housing than the market will provide in return, pockets of the city and county are grappling with housing vacancy and housing-stock loss.

Habitat for Humanity Summit County met monthly for over a year as part of a working group to help establish the Affordable Housing Trust Fund. They leveraged their resources to successfully advocate for the creation of the fund as well for its initial $600,000 funding. They are one of two remaining nonprofit organizations in that working group that continue to stay involved as an active supporter of the trust fund.

In this context, the Summit County Affordable Trust Fund was established in 2020 as a partnership between the county and the Western Reserve Community Fund, which is a certified community development financial institution that promotes affordable housing and supports small businesses by offering low-cost financing and technical assistance.[10] Although the County can send projects to the fund for consideration, the Western Reserve Community Fund manages the fund and decides which projects to fund. The goal of the trust fund is to "support the development, rehabilitation, and preservation of affordable housing in Summit County for the benefit of low-income households."[11] The fund extends funding to nonprofit affordable housing developers in Summit County to support a range of project financing needs, including principal financing, gap financing, construction lending, and permanent debt.

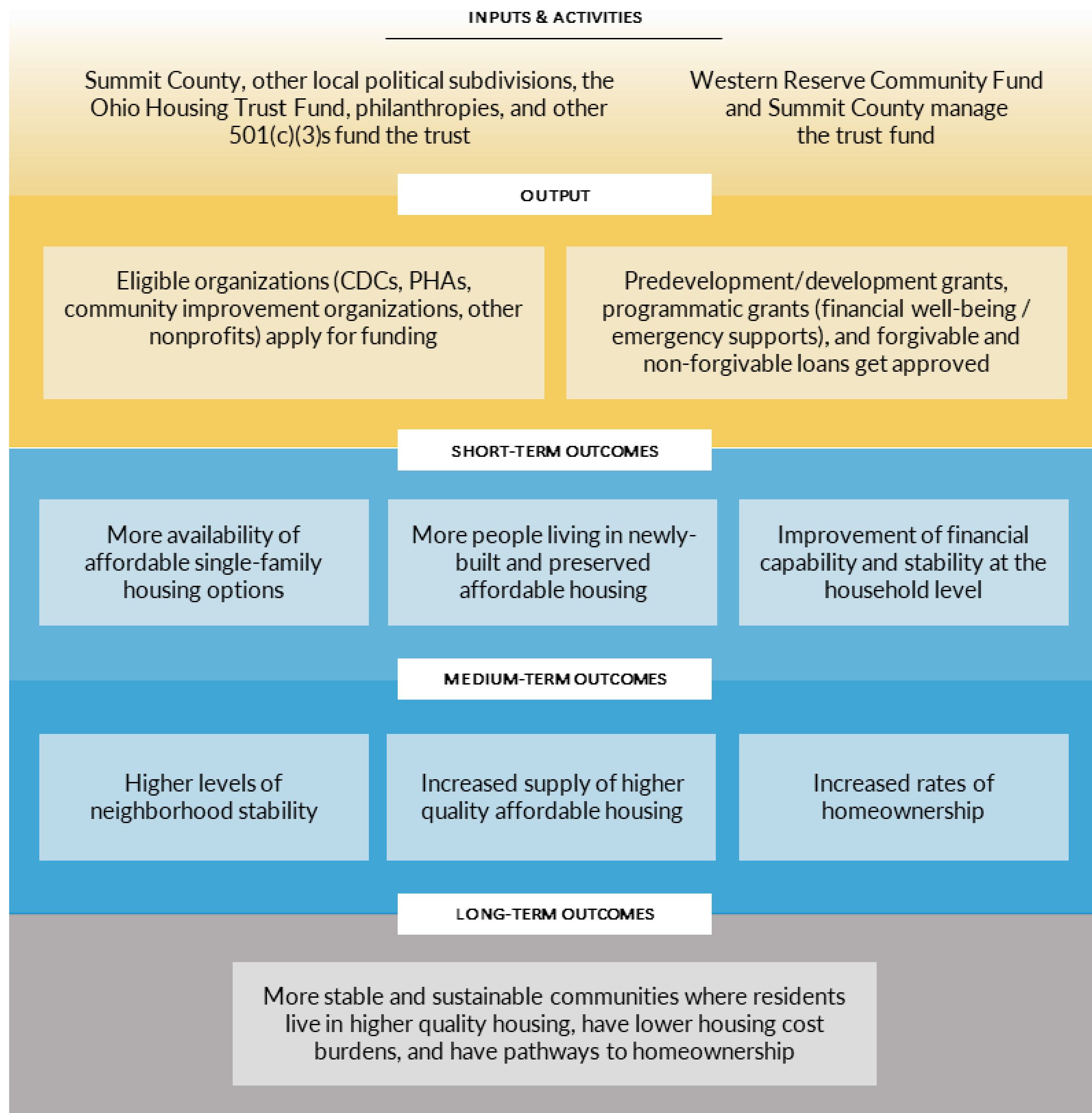
As stated by interviewees, the trust fund's goals are to support homeownership and high-quality rental housing in the county and to get people invested in building new housing. Stakeholders saw the lack of new local housing options as a cause of population decline: people looking for new housing were leaving for places where new housing existed. Another key feature of the trust fund is its intentional focus on supporting goals in a way designed to meet community needs. In terms of the local ecosystem, the fund has focused on supporting nonprofits with nuanced lines of credit for their projects.

The Summit County Affordable Housing Trust Fund differs from the other housing supply and preservation policies discussed here in that it is not run by local or state government, but by the quasi-governmental community development financial institution. Local governments are supportive, and funds come from a range of sources, but the Western Reserve Community Fund operates and manages the trust fund and makes decisions about what to fund. Otherwise, the trust fund mirrors the more

general theory of change of other policies very closely: the goal is to support the construction and preservation of affordable housing, promote homeownership, and stabilize neighborhoods and communities (figure 6).

FIGURE 6

Theory of Change for Summit County, Ohio, Affordable Housing Trust Fund



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Source: Developed by the authors based on public information and stakeholder interviews.
Notes: CDCs = community development corporations; PHAs = public housing agencies.

OUTCOMES TO DATE

To date, the trust fund has extended funding to 11 projects: 8 grants and 3 loan/credit products. Most of these projects are still underway, although at least one (the $50,000 grant to Habitat for Humanity of Summit County) is complete as of December 2022. What is notable about the Summit County Affordable Housing Trust Fund is the sorts of projects it supports. Of the 11, 2 are for new (and smaller-scale) construction, 2 are to support programming, and 7 are for acquisition, stabilization, and rehabilitation of existing buildings to improve the quality of the existing stock (table 4).

TABLE 4

Summit County Affordable Housing Trust Fund Funding to Date

Developer	Funding type	Funding amount	Description
Kenmore Neighborhood Alliance	Grant	$50,000	**Acquire and stabilize** mixed-use building for future affordable housing redevelopment
Habitat for Humanity of Summit County, Inc.	Grant	$50,000	**Build** four homes for low- and moderate-income homebuyers
Nazareth Housing Development Corporation	Grant	$50,000	**Renovate and repair** three homes occupied by low-/moderate-income families
Harmony House, Inc.	Grant	$5,000	**Provide supportive housing and programming** for young people experiencing or at risk of homelessness
East Akron Neighborhood Development Corporation	Grant	$5,000	**Provide programming** for homeownership support center
North Hill Community Development Corporation,	Grant	$50,000	**Acquire and stabilize** vacant building for future affordable housing redevelopment
The Well Community Development Corporation	Grant	$40,000	**Acquire and rehabilitate** three homes for affordable housing redevelopment
Truly Reaching You, Inc.	Grant	$50,000	**Acquire and rehabilitate** two homes for affordable housing redevelopment
Truly Reaching You, Inc.	Line of credit	$175,000	**Rehabilitate** homes to be redeveloped as affordable housing
The Well Community Development Corporation	Gap financing/ term loan	$80,000	**Construct** new two-family home
The Well Community Development Corporation	Line of credit	$500,000	**Rehabilitate** homes to be redeveloped as affordable housing

Source: Data provided by Development Finance Authority of Summit County.

Projects are also relatively small in dollar terms and units, but this aligns with the community needs and opportunities Akron and Summit County present: building a single large affordable or mixed-income housing development is not the only option, especially when Summit County has existing

housing stock that can be supported and improved. However, these sorts of scattered projects are difficult to finance regularly. One interviewee noted that banks were generally not interested in supporting acquisition/rehabilitation projects and credited the trust fund for supporting small-scale, single-family-focused initiatives that previously had no clear pathway to implementation.

POLICY OUTLOOK

Given the relatively small overall total awarded to date (and the in-process nature of the projects), we would not expect to see significant effects on housing market conditions, and that sort of approach also may not be the most appropriate one for examining the goals of this initiative. Going forward, the impact of the trust fund may be more appropriately measured in terms of its effect on the local affordable housing development ecosystem. There is some indication that it has created a space for projects that otherwise may not be financially viable and provided support for local nonprofits in their efforts to preserve and maintain affordable housing (and building stock). As seen elsewhere (such as with Raleigh's housing bond), smaller projects are often as complicated to pull off as larger ones. Further, housing preservation requires different activities and tool sets than new construction: in a legacy city such as Akron, preservation may be the most effective way to promote stable communities and support affordable housing.

Equitably Increasing Access to Credit

Home Purchase Assistance Program in Washington, DC

The Home Purchase Assistance Program (HPAP) in Washington, DC, provides down payment assistance through zero-interest loans for qualifying first-time homebuyers in the District. Initially established under the Home Purchase Assistance Fund Act of 1978,[12] HPAP has periodically increased its support amounts to account for increasing housing costs. The maximum assistance amount was increased from $50,000 to $80,000 in 2017, and subsequently to $202,000 in 2022.

Currently, prospective homebuyers qualify for assistance if their household income is below 110 percent of the median family income (MFI) for the DC area—the 2022 MFI for a family of four in DC was $142,300.[13] The maximum amount of support depends on household size and income level. Homebuyers can come from outside of DC, but the purchased home must be in the city. Application priority is given to "low-income, elderly, handicapped, disabled, or displaced District residents."[14] Repayment is deferred for five years for moderate-income buyers (51 to 80 percent MFI) and until the

sale or transfer of the home for low-income buyers (up to 50 percent MFI). HPAP recipients are required to make small financial contributions toward the down payment on the basis of their liquid assets, although these can be waived for low- and very-low-income applicants.[15] People interested in applying for this assistance do so through one of six local community-based organizations (CBOs) that provide housing counseling. While not mandated by the city, the CBO may require that applicants go through counseling.

Funding for HPAP comes primarily from federal sources, such as the Community Development Block Grant Program, with additional contributions from local unified funds and repayment from the HPAP loan portfolio. The fiscal year 2023 budget allocated $21 million for the program (DMPED 2022). Reportedly, recent increases in the maximum loan amount were implemented to expand the options for prospective buyers. Advocates for this policy change explained that, due to increasing property values in DC, additional assistance became necessary for many buyers, particularly in low-income households.[16] Interviewees suggested that the increased amount of financing has brought down debt-to-income (DTI) ratios, thus expanding mortgage eligibility for buyers. For applicants who are people of color in DC, DTI is the most common reason for home loan denials, and the overall denial rate is 11.4 percent, compared to 16.4 percent nationally. In DC, the denial rate for white applicants is 2.7 percent.[17]

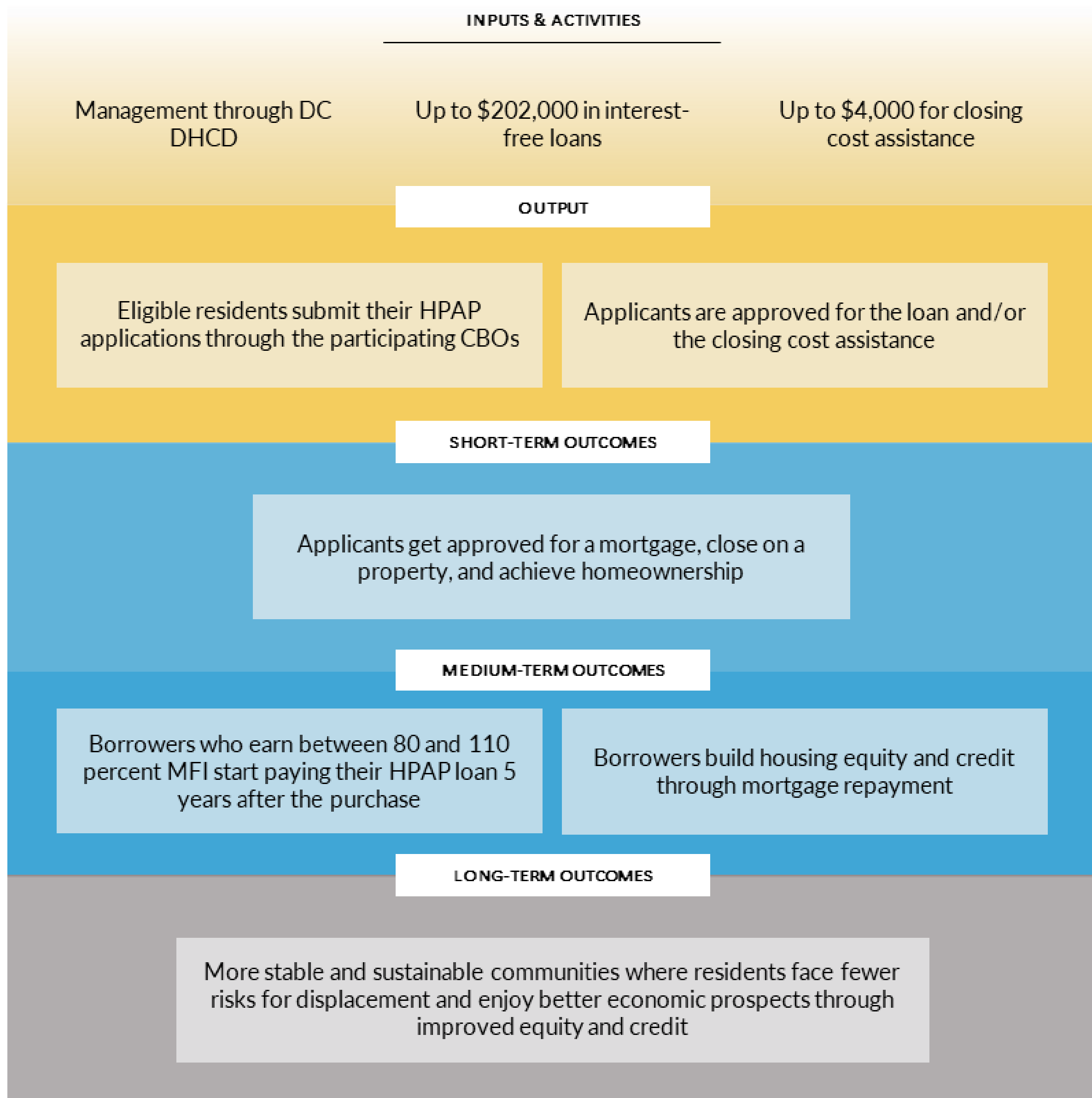
DC is a high-cost housing market, which limits opportunities for low-income renters to become homeowners. The median rent in DC is $2,594, which is 24 percent higher than the national median.[18] Of all households in the District, 29 percent are extremely low-income renters, and of those households, 73 percent are severely cost burdened.[19] Given the large share of income dedicated to paying rent and other household necessities, saving up for a down payment is very difficult. The average home price is over $630,000, according to Zillow recent sales data.[20] Consequently, for District residents, transitioning to homeownership is very challenging because of the prohibitive costs of both types of housing.

Habitat for Humanity of Washington, DC, and Northern Virginia is one of the nonprofits that supports the program's end users and was an advocate of both the 2017 and 2022 efforts to increase the maximum assistance amount. The 2022 assistance increase was part of Cost of Home and was successful in part because of the efforts leading up to the 2017 assistance increase. Advocates including Habitat argued that prospective low-income homebuyers needed further assistance to afford houses in the expensive DC region market. This challenge motivated their work in lobbying the city to provide additional assistance for qualifying buyers.

Figure 7 illustrates the theory of change for HPAP. Key output metrics for this policy are the number of applications and number of approvals, including details on each, such as home price, support amount, and borrower characteristics. Outcome metrics include the number of approved applicants that close on a home, and, in the longer term, HPAP repayment rates and improvements in credit scores and personal wealth. Considering data availability, we focus on output metrics for the purpose of this assessment.

FIGURE 7

Theory of Change for Home Purchase Assistance Program in Washington, DC



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Source: Developed by the authors based on public information and stakeholder interviews.
Notes: DHCD = Department of Housing and Community Development; HPAP = Home Purchase Assistance Program; CBOs = community-based organizations; MFI=Median Family Income.

EVIDENCE FROM THE LITERATURE

Home equity is the largest component of wealth for most people in the US (Schuetz 2020). Expanding access to homeownership is a goal of many policymakers interested in growing people's wealth and

improving financial stability through fixed-rate mortgages. Purchasing a home is particularly challenging for low-income households that may not have sufficient liquid savings to afford a down payment, even if they would be able to afford the monthly expenses of a mortgage and other related housing costs. Over 70 percent of homebuyers use personal savings to cover the down payment, 20 to 30 percent rely on the sale of a previous home, and 5 to 10 percent utilize government and nonprofit assistance.[21] Closing costs, such as title-related costs and inspection and transfer fees, may also pose a significant barrier. Closing costs can be equivalent to an additional 2 to 6 percent of the loan amount.[22] A study by Fannie Mae found that closing costs for homebuyers are regressive and that reducing closing costs reduces the use of personal savings for low-income and minority homebuyers (Mota and Palim 2021).

Down payment assistance (DPA) programs are common policy tools aimed at closing the homeownership wealth gap. They typically provide zero- or low-interest loans or grants to qualifying buyers purchasing a first home. Prior to the 2008 financial crisis, when credit standards were more relaxed than they are today, even small amounts of assistance between $1,000 and $5,000 could encourage home purchasing by a statistically significant amount (Herbert and Tsen 2005). The model in this study found that DPA as little as $1,000 (approximately $1,500 in today's value) could entice 19 percent of low-income households to purchase a home, compared to a scenario with no assistance. Some evidence suggests that DPA assistance can enable low-income borrowers to access conventional loans rather than FHA loans (which require upfront and annual mortgage-insurance premiums), and that, for borrowers on the edge of qualifying for a conventional loan and having to rely on an FHA loan, DPA reduces the loan amount relative to unassisted borrowers using FHA loans (Lang and Hurst 2014). However, while DPA has a positive effect on homeownership, changes to underwriting standards may be more effective at helping first-time borrowers achieve homeownership (Quercia, McCarthy, and Wachter 2003). DPA is offered by jurisdictions across the country, but we did not find another local or state program that offered the level of assistance that DC's HPAP provides.[23]

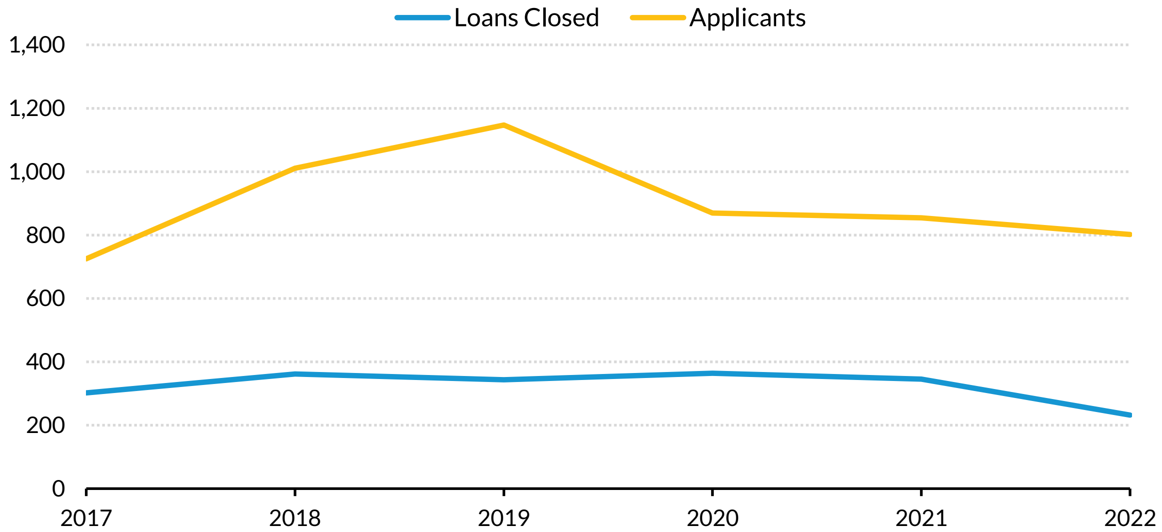
OUTCOMES TO DATE

Over the six years for which we found public data (2017–2022), HPAP has maintained a closing rate—the share of HPAP applicants who successfully close on a home purchase—of 42 percent or less. HPAP supported 232 households in fiscal year 2022 (Hubbard 2022)—a decline from previous years likely due to increased interest rates that, along with higher home prices, have reduced affordability. However, as depicted in figure 8, the number of applicants has consistently exceeded the number who successfully close on an HPAP loan. A representative from one of the CBOs that works with HPAP reported that they are on track to fulfill their goal of submitting 150 applications in fiscal year 2023. Our contact at

this CBO said that they have seen an improvement in the review times for applications, and it was their impression that DC's Housing Finance Agency, which processes applications, has added more staff capacity since the assistance cap was increased to $202,000.

FIGURE 8

Number of Washington, DC, Home Purchase Assistance Program Loan Applications and Closed Loans by Fiscal Year



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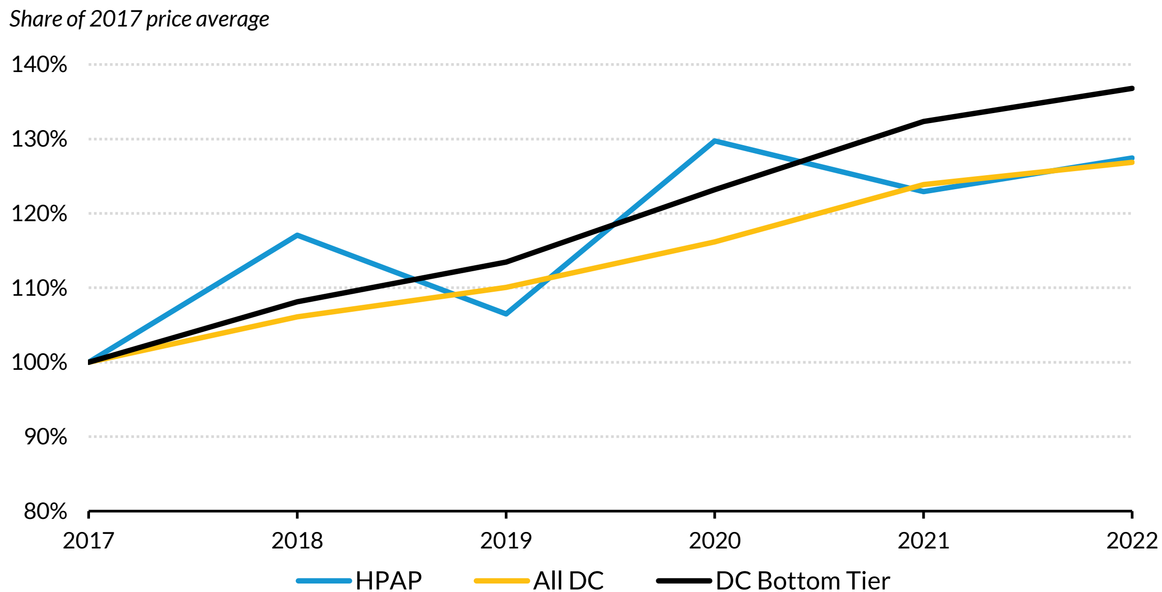
Source: Council of the District of Columbia, DHCD Performance Oversight Responses, FY2017–FY2022

We also found that between fiscal years 2017 and 2022, the average home purchase price ranged from $288,270 (2017) to $373,988 (2020), and the average assistance amount ranged from $47,500 to $64,000. For most years, the average assistance amount as a share of the average home price purchased with HPAP was 16 percent. The price of homes being bought with HPAP support has consistently increased with overall market prices according to Zillow data. This trend holds even for homes in DC with prices in the bottom 35 percent of the price distribution (see figure 9).

FIGURE 9

Average Home Price Increases in Washington, DC, since 2017



Source: Council of the District of Columbia, DHCD Performance Oversight Responses, FY2017–FY2022; Zillow Home Value Index, All Homes (2023), https://www.zillow.com/research/data/, accessed July 15, 2023.
Note: DC Bottom Tier refers to home prices in the bottom 35 percent of the distribution.
Note: HPAP = Home Purchase Assistance Program

Without publicly available information on loan-level data it is not possible to know to what extent HPAP recipients are taking advantage of the increased cap on assistance. However, considering trends from the last six years, we do not expect that most assisted buyers are receiving an assistance amount close to the new maximum. For most years between 2017–2022, the average HPAP assistance amount represented 16 percent of the average purchased home price. Assuming a generous increase of 20 percent in the average price of homes purchased with HPAP assistance from 2022 to 2023 (going from $367,000 to $440,400), a $202,000 HPAP loan would represent 46 percent of the average home price in 2023. This would be a dramatic departure from the 16 percent seen in past years. The same $202,000 in assistance would be 16 percent of the price of a $1.26 million home, which would likely be out of reach for a buyer who meets the program's income requirements. In other words, it is possible that the new assistance cap provides flexibility to assist homeowners in very specific cases, but it is unlikely to cause a big shift in the number of homebuyers who benefit or the level of assistance they receive.

In terms of differentiated outcomes for specific demographic groups, we find that, on average, 75 percent of applicants that close on an HPAP loan are Black (45 percent of Washington, DC, residents are Black).[24] In most years over 80 percent of applicants were low or moderate income, and in 2021, 69

percent of HPAP recipients were women.[25] One of the CBOs that work with HPAP indicated that many of their clients applying for HPAP are women heads of households, usually Latina, single, and with dependents. Since HPAP is conducted through CBOs, the program would likely have increased benefits for people of color and people with low incomes, as these groups tend to be overrepresented within the client base of these organizations.

POLICY OUTLOOK

A representative from one of the CBOs participating in HPAP explained that, to their knowledge, DC's DPA is one of the largest in the country in terms of the amount of potential assistance. "Other programs in the region offer only $25,000. They never get to the level of DC." They also expressed concern about the possibility of the city's next budget including cuts to this program. However, at least for fiscal 2024, the proposed budget has been increased by $8 million.[26]

As figure 8 shows, the demand for HPAP consistently exceeds the number of applicants that can be supported. In some years, including the current fiscal year, the budget is spent before the close of the year. For fiscal year 2023, borrowers who close after June 23 will not be able to access funds until the start of the next fiscal year in October.[27] This suggests that the demand for assistance exceeds what the HPAP budget can sustain. Given the lack of availability of loan-level data, it is unclear if the increase in the maximum assistance amount has contributed to the funds being exhausted as early as they are.

While the increase in the maximum assistance amount may not impact many borrowers—though we do not yet know for sure— it gives the program more flexibility in terms of the assistance it can provide. Distributing funds through community-rooted organizations is a helpful way to reach and assist disenfranchised homebuyers. HPAP remains an important policy tool to expand homeownership opportunity for low- and moderate-income households in DC, mainly by improving potential homebuyers' chances of getting approved for a mortgage and reducing monthly housing costs. Especially considering increased interest rates and a housing market that has been expensive for years, the program still plays a vital role.

Rent Reporting for Credit Pilot Program in Colorado

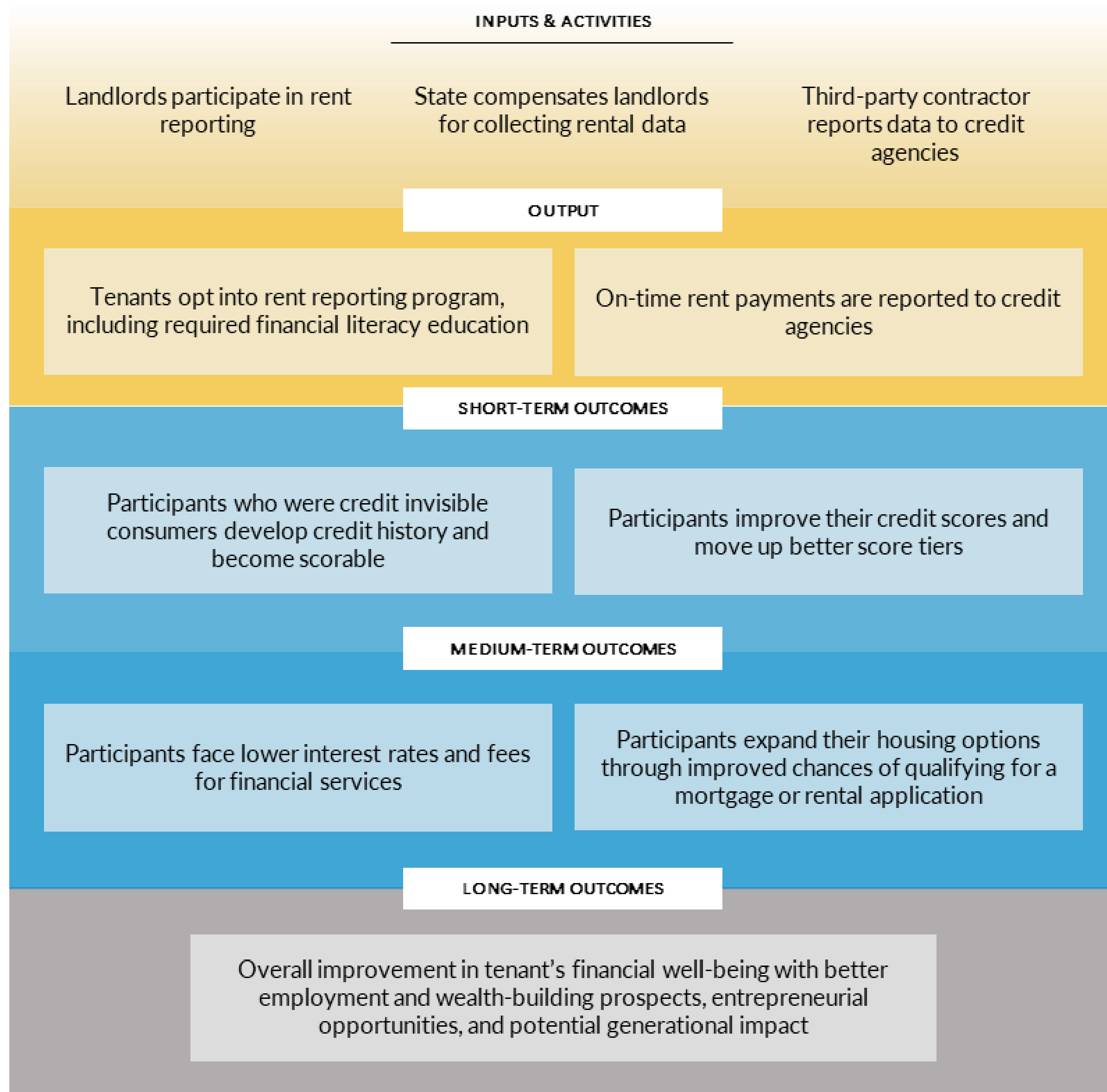
In 2021, the Colorado legislature approved the Rent Reporting for Credit Pilot Program.[28] Recognizing that creditworthiness is a significant barrier to homeownership, the legislature decided to pilot rental payment reporting to credit bureaus with the goal of assisting renters, particularly low-income and minority households, in establishing and building a positive credit history. The pilot runs from 2022 to

no later than 2024. The purpose of this pilot is to determine (1) whether the policy has positive outcomes on participants by establishing, building, and improving their credit histories, which, in turn, would improve their access to credit services; and (2) how best to implement a potentially statewide policy considering costs and time commitments required from participating landlords.

The program, administered by the Colorado Housing and Finance Authority (CHFA), was designed to recruit up to 10 landlords and at least 100 of their tenants to participate. Participating landlords are compensated for their role in collecting rental data and providing feedback. Tenants may opt in to participate, and their on-time rental payments are reported through RentTrack, a third-party contractor responsible for facilitating the pilot. RentTrack is a company focused on reporting rent payments in multifamily housing to all three credit reporting agencies: Experian, TransUnion, and Equifax. This third-party partner is also responsible for collecting information on tenant demographics and credit outcomes (CHFA 2021). Figure 10 offers a theory of change for this policy using five key metrics: (1) number of tenants opting into the pilot or program, (2) number of on-time payments reported, (3) number of previously credit-invisible participants that are now scorable, (4) changes in credit scores, and (5) number of participants who move from one score tier to another.

FIGURE 10

Theory of Change for Rent Reporting for Credit Pilot in Colorado



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Source: Developed by the authors based on public information and stakeholder interviews.

Habitat for Humanity of Colorado was closely involved in conversations with legislators and stakeholders that shaped the development and implementation of the pilot. They reached out to state representative Naquetta Ricks, a former mortgage broker, and pulled in renter advocates and housing industry practitioners to develop a proposal and the initial legislative text. While the initial concept was to begin with a statewide mandate, the policy was instead implemented as a pilot following concerns

about potential unintended consequences, such as the possibility of rent reporting hurting credit scores for participants or potential data confidentiality issues. The pilot provides an opportunity to better understand implications for landlords and will be key in addressing concerns and shaping discussions about statewide implementation.

If Colorado does expand the policy statewide, a substantial share of the population could be eligible. In Colorado, 33.9 percent of housing units are occupied by renters, close to the national rate of 35.4 percent.[29] Renters typically have lower credit scores than homeowners. The median Vantage score gap between renters without mortgages and owners with mortgages is 132 points (Li and Goodman 2016). According to the same authors, 52 percent of renters in the country would not qualify for a mortgage. Thus, rent reporting could be utilized by a significant number of Coloradans, who could potentially improve their prospects of qualifying for a mortgage and achieving homeownership.

EVIDENCE FROM THE LITERATURE

The Colorado pilot is meant to support renters to both create credit history and improve their credit scores. According to a Consumer Financial Protection Bureau report, 11 percent of US adults are credit invisible and a further 8.3 percent have insufficient credit data to be scored (Brevoort, Grimm, and Kambara 2015). Consequently, many of these consumers are unable to participate in the several activities that require a credit history and that help to build financial stability and wealth. Since the introduction of the FICO credit score in 1989, individual consumer credit scoring has been increasingly used to screen borrowers of many different forms of credit, including mortgages and personal loans. However, as of 2017, rental payments made up less than 1 percent of the data used by credit bureaus to determine credit scores.[30]

Rent reporting is a relatively new policy solution to reduce the number of credit-invisible adults and increase credit scores for renters. Rent reporting is the act of reporting rental payments to credit bureaus to build a scorable credit history and, ideally, establish a regular series of payments to improve credit scores. The Credit Builders Alliance supported eight affordable housing providers covering 1,255 tenants in a series of rent reporting pilots. It found that 79 percent of tenants saw a credit increase and that it was important to pair rent reporting with financial education programs (Chenven and Schulte 2015). A study using credit score models found that including rent payments in the FICO score would dramatically reduce the share of tenants with credit histories insufficient for credit agencies to assign a score and increase the share of participants with FICO scores above 620. However, using full rent payment data, including late payments, would decrease scores for some participants (Turner and Walker 2019). A different modeling exercise using VantageScore (the other major credit score besides

FICO) found that reporting positive rental payments over two years could lead to significant score increases, especially for those with the lowest starting scores.[31]

Reporting rent payments (and other payments, such as utilities or subscriptions) could have positive outcomes, especially for people with low incomes, immigrants, and both younger and older adults who have, on average, less credit history (Turner, Varghese, and Walker 2015). It could also have outsized benefits for people of color, specifically Black and Latino adults, who are more likely to rent than to own, tend to have less information in their credit files, and are less likely to be conventionally scorable, compared with other groups.[32] However, some argue that credit score–based underwriting models are inherently biased and disproportionately exclude Black and Latino people from accessing credit (Rice and Swesnik 2012).[33] Since Black and Latino people have historically been targeted for subprime lending and are relatively underbanked, credit scoring models are less favorable to these groups.

There has been recent interest in including utility, telecom, and rental data (UTR) in underwriting, particularly for mortgages purchased by Fannie Mae and Freddie Mac (Cochran, Stegman, and Foos 2021). Experian Boost, a tool from Experian that lets consumers add positive utility, telecom, and Netflix bill payments to their credit files, modestly improved credit scores (13 points on average) for 65 percent of users and moved 12 percent to a better credit score tier.[34] While there is some evidence that UTR reporting improves credit file depth and provides benefits especially for low-income consumers, better data quality and standardization are needed (Cochran, Stegman, and Foos 2021).

Other jurisdictions that have experimented with rent reporting for credit building include Washington, DC (DC Housing Authority's rent reporting pilot program launched in 2020), New York City (a program is still in the design phase), and California (Senate Bill 1157 requires private landlords with subsidized housing units to offer tenants the option to have their rent payments reported to credit bureaus).[35]

OUTCOMES TO DATE

In the year that the pilot has been in effect, six landlords managing 28 properties across the state elected to participate. From those properties, 282 tenants enrolled in the pilot. As of May 2023, the average FICO score of pilot participants has increased by 67 points, according to CHFA. However, these results are still preliminary, subject to change, and unclear whether the change is due to the pilot itself or other potential external factors.

At the conclusion of the pilot, CHFA will deliver a comprehensive report of outcomes to the Colorado General Assembly. Colorado officials commented that the financial education prerequisite for participating tenants has been a success thus far in educating participants about the effects of rent reporting.

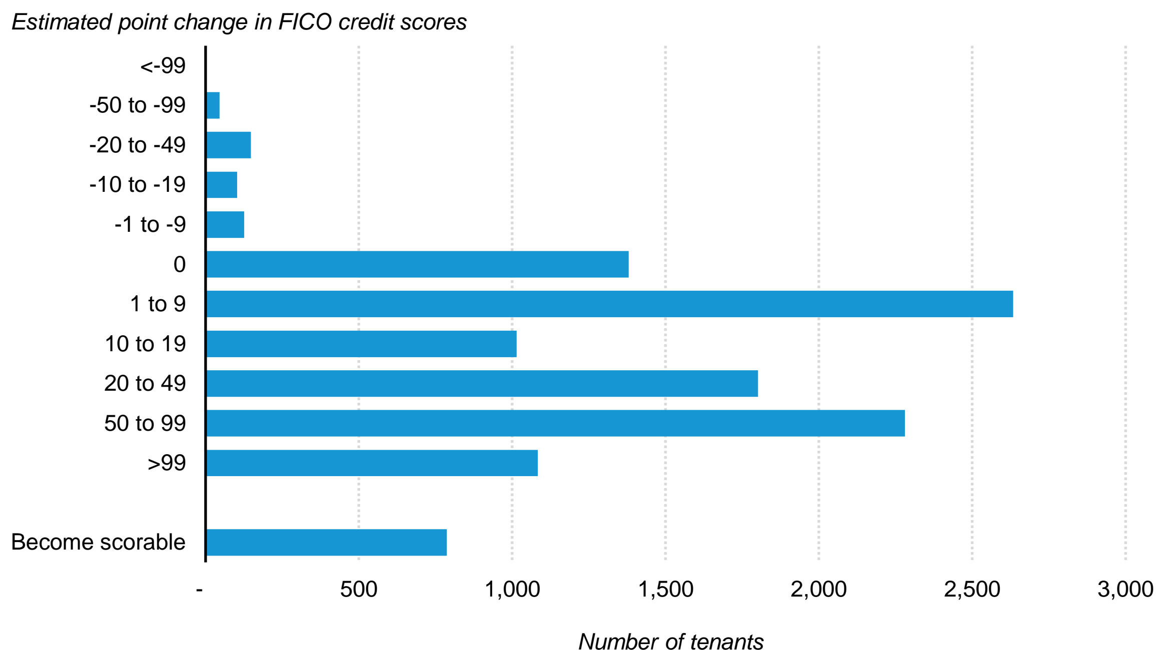
In the context of this study, the Colorado pilot is different from the other assessed policies, as it is a one-time intervention that is still ongoing. In this sense, we engage in an exercise to estimate the potential outcomes of a rent reporting program at the state level, since informing such a policy is the ultimate goal of the pilot. To do so, we made a few assumptions about policy design, the population that would be eligible to participate, the participation rate, and the potential impact of rent reporting based on Turner and Walker (2019)'s findings.

For this exercise, we assumed that a statewide program would operate similar to California's SB 1157, which requires landlords with 15 or more units of subsidized housing to offer tenants the option to opt into the program.[36] Using US Department of Housing and Urban Development LIHTC and Section 8 data, we estimated that there are 75,733 subsidized housing units in Colorado. We considered this number a proxy for the number of units eligible to participate in a statewide program. In 2020, California's program had an enrollment rate ranging from 4 to 15 percent. We took the upper end of this range, since enrollment in California was likely affected by the COVID-19 pandemic, and assumed that all units are occupied. With these assumptions, we estimated that 11,400 households could participate in a statewide rent reporting program.

In terms of impact on credit scores, we used the results on FICO scores from the study by Turner and Walker (2019) to estimate potential outcomes if only on-time payment information was reported, since that is how the Colorado pilot is being conducted. We also assume that the distribution of credit scores among Colorado's tenants of subsidized housing would be the same as that in the authors' sample, with renters from Washington, Kentucky, and Illinois. Under these assumptions, a state rent-reporting program could translate to almost 9,000 tenants having their credit scores increase, but it could also decrease scores for approximately 420 tenants. Another important effect would be the number of people who become scorable, which could be close to 800 (see figure 11).

FIGURE 11

Estimates of the Impact of Rent Reporting on Credit Scores in Colorado



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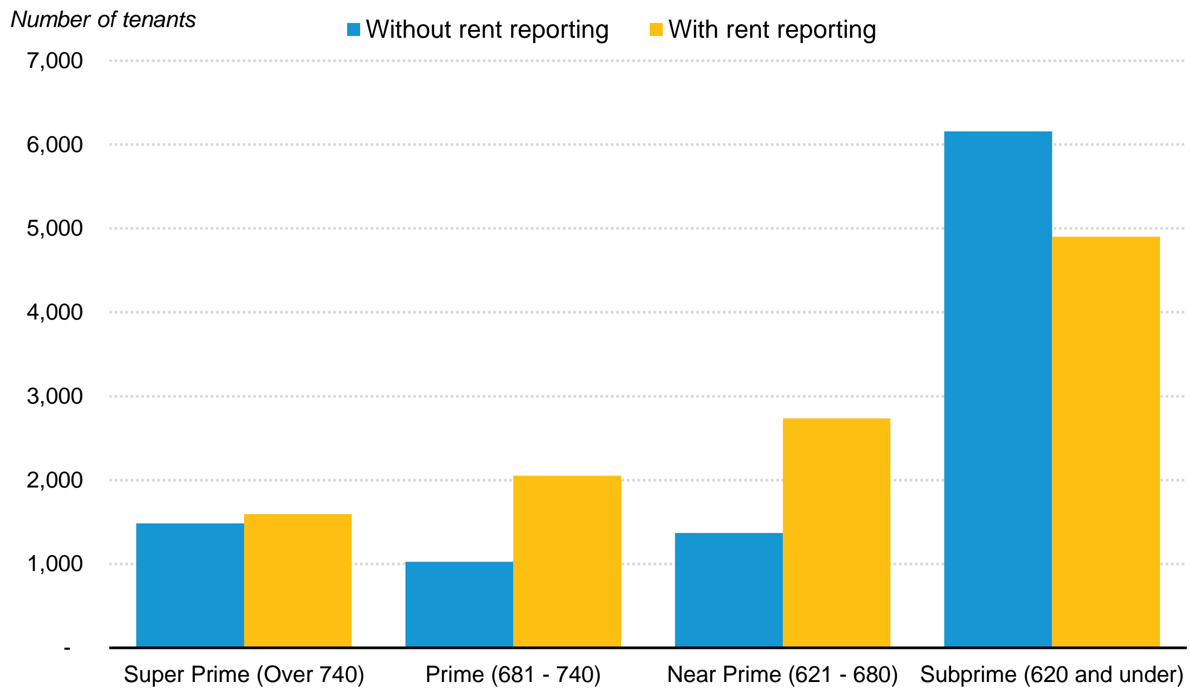
Source: Developed by the authors using the model in the study by Turner and Walker (2019).
Note: "Become scorable" refers to tenants without a credit history that would start to have a credit score once on-time rent payments are reported to credit bureaus.

A change in credit score is most relevant to the extent that it moves people from one credit score tier to another. A subprime credit score (less than 620 points) indicates a high-risk borrower and likely would not qualify the person to receive a conventional mortgage.[37] Moving up to a better tier often qualifies a borrower for more affordable loans with better loan terms. In this sense, even if very few people experience a decline in credit scores, there could be a considerable net improvement in terms of tier movement in this scenario. The approximate net potential is for 1,300 people in Colorado to move up from subprime to near prime, 1,000 from near prime to prime, and 100 from prime to super prime. Perhaps most noticeably, 900 tenants would become scorable after having their on-time rent payments reported to credit agencies, and very few participants would remain unscorable (see figure 12). It should be noted that these estimated effects do not take into consideration the potential benefits of pairing financial education with rent reporting policy, as the Colorado pilot does.

FIGURE 12

Estimates of the Impact of Rent Reporting on Credit Score Tiers and Scorability in Colorado



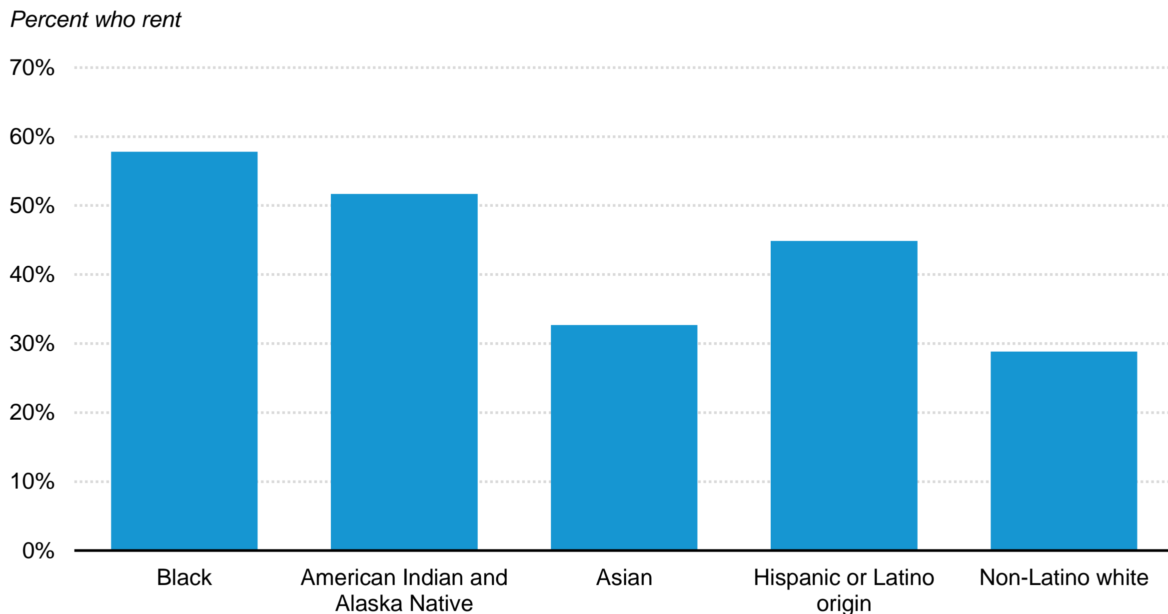
Source: Developed by the authors using the model in the study by Turner and Walker (2019).

We have explored in the available evidence section how reporting rent payments may have outsized positive credit score effects for people with low incomes, people of color, youth, immigrants, and older people. We would expect a statewide rent-reporting policy to see similar trends. Renters are seven times more likely to have no credit history than homeowners[38] and renters' average credit scores are significantly lower than that of homeowners, as we mentioned in previous pages.[39] In Colorado, Black, Native American, and Latino residents rent at higher rates than white and Asian residents (see figure 13), people below the age of 35 are three times more likely to rent than people between 45 and 75, and those without a high school degree are twice as likely to rent than those with a bachelor's degree or higher.[40] Additionally, Black and Latino people are more likely to be credit invisible: 15 percent have no credit history, compared to 9 percent of white and Asian people (Brevoort, Grimm, and Kambara 2015).

FIGURE 13

Share of People in Colorado Who Rent

By race and ethnicity



Source: American Community Survey, 2021 1-year estimates.

POLICY OUTLOOK

Colorado's rent-reporting pilot is due to be completed in the summer of 2024. Once the results are reported, state legislators may consider scaling the program to the entire state. State legislature representatives indicated an interest in making rent reporting mandatory for all landlords, not only those who offer subsidized housing. Our estimates focused on subsidized housing, since implementation would be more feasible for this group of landlords because the state may already have connections with them or knowledge about who they are. Making rent reporting mandatory for subsidized housing would also target people with lower incomes, who are most likely to benefit from this initiative. Under this scenario, we would expect such a policy to have a positive impact for thousands of Coloradoans living in affordable housing, with people of color, younger renters, and those with lower education levels benefitting the most.

One important consideration in scaling this policy is the cost. For landlords to report rent payments, they will need to rely on a third-party service like RentTrack, which is being used for the pilot. In California, these costs are up to $14 a month per unit. In the estimated Colorado scenario of 7,500 participating units, monthly costs could be up to $105,000, paid either by the state, landlords, or

renters, which could affect enrollment. Data privacy will be another big consideration for policymakers, as payments to landlords would be shared with third parties. Renters should receive timely and clear information about how their information will be used and for what purpose.

It will be important to monitor preliminary and final results from similar programs in Washington, DC, New York City, Delaware, and California. The Urban Institute is also conducting a rent-reporting randomized control trial, which will examine the effects of rent reporting on credit scores and related outcomes in isolation from other factors that could affect the credit scores of participants (e.g., economic shocks) and with minimal bias. California's SB 1157 already offers some recommendations for other jurisdictions considering rent-reporting programs, which include the following:

- "Implement an education campaign … before rolling out programs."
- "Incorporate [the program] into broader financial literacy and economic empowerment programs."
- "Use standardized forms or preapproved templates to clarify reporting."
- "Consider landlord capacity when developing similar policies."
- "Fund dedicated staff to help enroll residents."[41]

As Colorado evaluates the outcomes of the pilot, it will need to consider the cost and consequences of implementing at scale. A renter advocate explained the concern: "How do we put enough resources and enough guardrails into the program to ensure that it meaningfully benefits the people who it is targeted to?"

Optimizing Land Use for Affordable Housing

Affordability Unlocked Program in Austin, Texas

Affordability Unlocked (AU) is a program in Austin, Texas, designed to incentivize developers to build affordable housing units by providing density bonuses and development requirement waivers in exchange for a certain percentage of the units being designated as affordable for either rental use or ownership. The program seeks to contribute to Austin's goal of building 60,000 affordable housing units by 2027, part of its 2017 *Strategic Housing Blueprint*,[42] and to capitalize on the opportunities stemming from the $250 million in affordable housing bonds approved in 2018.[43]

The AU ordinance was introduced in 2019 as an amendment to the City's Land Development Code by councilmember Greg Casar in collaboration with Austin's housing advocacy community. Austin Habitat for Humanity was working on an affordable multifamily housing project but had found many of the city's development requirements prohibitive—in particular, the minimum parking requirements and the compatibility standards (height limits). Austin Habitat worked with councilmembers to craft the ordinance, including the necessary affordability levels. The program was unanimously approved in the same year it was introduced.[44]

An interviewee involved with the development of AU cited the high cost of building housing, especially for nonprofits and affordable housing developers. These high costs have contributed to a hot housing market that risks pricing out residents. In the past two decades, Austin has grown tremendously in population, and, like many cities in the US, housing production has not kept pace. A Comprehensive Housing Market Analysis conducted for Austin in 2014 found that low vacancy rates, an influx of high-income residents, and gaps in the supply of affordable rental and ownership housing contributed to the tightening market (City of Austin 2014). The AU program was also a new attempt built off of previous unsuccessful efforts to upzone areas of the city near major roads and commercial centers that traditionally were zoned for single-family homes or were heavily affected by compatibility requirements. One of these efforts, CodeNEXT, was one of the eight priority programs in the *Imagine Austin Comprehensive Plan*,[45] but it was abandoned due to opposition, and subsequent attempts to rewrite the program were struck down in court.[46] AU attempts to address the arguments that were made against CodeNEXT by focusing on affordable units rather than trying to increase density across the board.

Today, the program offers development waivers and bonuses on a project-by-project basis across the city, conditional on meeting one of two types of affordability requirements. Projects with at least half of units affordable at an average of 60 percent MFI for rental and an average of 80 percent MFI for ownership (type 1) can waive most parking requirements, build up to six dwellings in lots zoned for single-family housing, and increase the maximum building height by 25 percent, among other bonuses. They can also waive compatibility standards or requirements, which were described by interviewees as one of the biggest hurdles in developing dense housing in Austin. Compatibility standards regulate the height and setback (how far the building must be from the front, side, and rear lot lines and the street) of buildings near areas zoned for single-family housing.[47] Waiving these requirements was described as one of the biggest incentives for developers to seek this program.

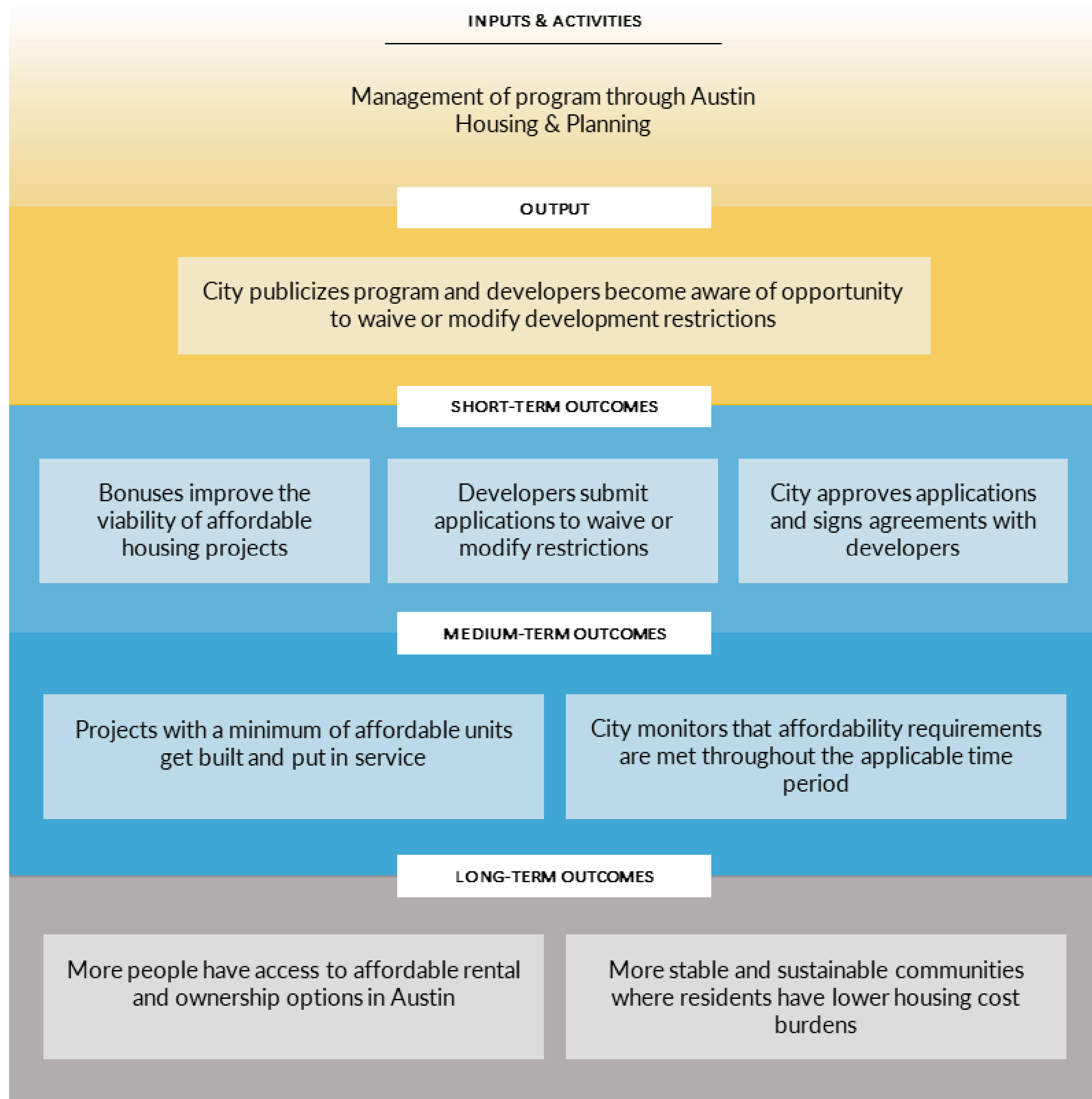
Projects with at least 75 percent of all units affordable at or below 60 percent MFI for rental or at or below 80 percent MFI for ownership (type 2) get the bonuses for type 1, can increase the maximum

building height by 50 percent, and can build up to eight units in lots zoned for single-family housing. A full list of requirements and bonuses can be found on the City of Austin's website.[48] Our interviewees noted that while the bonuses and waivers are substantial, the high affordability requirements mean that this tool is mostly targeted at mission-driven developers and is not necessarily intended to be an attractive incentive for market-rate developers.

AU is meant to deliver positive impact to Austin's residents by increasing the supply of housing that is affordable, as illustrated in figure 14. We identified five key outcome metrics: (1) number of developers that apply for AU waivers, (2) number of applications approved by the city by number of units, (3) number of projects completed using AU by number of units, (4) share of these units that are affordable at different income levels, (5) number of projects that comply with affordability requirements.

FIGURE 14

Theory of Change for Affordability Unlocked in Austin, Texas



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Source: Developed by the authors based on public information and stakeholder interviews.

EVIDENCE FROM THE LITERATURE

There are a broad range of local housing affordability tools, and AU is a zoning incentive or density bonus tool. It offers developers the opportunity to waive certain construction requirements and obtain

construction bonuses in exchange for setting aside a share or minimum number of affordable units in a development (Sclar et al. 2020).

A recent analysis of the National Longitudinal Land Use Survey found that 49 percent of jurisdictions have some form of zoning incentive program in the US (Spauster, Lo, and Freemark 2021). Zoning incentives are more effective in strong housing markets with a robust level of market-rate construction or redevelopment activity, where developers are eager to take advantage of these programs that strengthen profit margins and are more effective when combined with other housing strategies (Homsy, Abrams, and Monastra 2015).

Empirical evidence on the effectiveness of zoning incentives is sparse. A study (conducted before the 2008 financial crisis) of different zoning incentives in municipalities in Colorado, Maryland, and California found that this type of policy can be effective in offsetting the costs of providing affordable housing for developers (Porter and Davidson 2009). An analysis of the California Density Bonus Law, which mandates localities to adopt policies like AU, found that combining inclusionary zoning with density bonuses in strong housing markets can both maintain profitability for developers and encourage affordable housing production (Ryan and Enderle 2012). Combinations of incentive types—including density bonuses, parking waivers, and permit fast-tracking—reduce costs and make affordable projects more appealing to developers (Garde 2016). A more recent study found that relaxing land use regulations and increasing densities can lead to modest increases in housing supply, though primarily at the high-rent end of the distribution (Stacy et al. 2023). Finally, a study from Ontario, Canada, found that while the local density bonus program directly resulted in some affordable units being built between 1988 and 2018, it was more successful in securing funding for affordable housing through fees paid in lieu of affordable units built (a feature not included in AU) (Mah 2022).

A few scholars critique density bonus programs, arguing that they undercut the public planning process by circumventing code and that they increase the cost of public service provision.[49] However, these critics acknowledge that inclusionary policies can be useful when municipalities increase density through rezoning and subsequently leverage the marginal increase in property value for affordability.

As of 2020, Austin already had at least 10 zoning incentive programs (not including AU), which collectively produced 39 units for affordable ownership, 1,626 units for affordable rental use, and over $6.5 million from in lieu fees since 2004 (Altazan 2020). Other examples of programs like AU include Subsection H.7 in Arlington County, Virginia; the Affordable Homes Bonus Program in San Diego, California; and the Affordable Housing Density Bonus Ordinance in Lawrence, Kansas.

OUTCOMES TO DATE

As of July 5, 2023, there have been 76 approved projects using AU since the program was approved in May of 2019, representing 7,678 housing units (see table 3), of which 5,330 (or 69 percent) are affordable to lower-income households. While we cannot disaggregate the projects by type 1 or 2, it appears that the program is meeting its intended affordability goals. For type I, AU requires that at least 20 percent of rental units must be affordable for households making up to 50 percent of MFI. Currently, 33 percent of all rental AU units are affordable at that level. For ownership, AU requires that at least half of units are affordable for households making up to 80 percent of MFI, and 66 percent of current AU units meet this requirement.

We also compare the characteristics of AU projects to other affordable housing projects in the city's Affordable Housing Inventory.[50] This inventory includes all housing projects that have received a subsidy from or participated in a city of Austin developer incentive program since 1993. In the comparison group, we look only at other affordable housing projects put in service between 2010 and 2019, before AU started, to avoid the possibility of AU skewing results after that date. We find that AU projects have significantly more units on average than other affordable projects and a larger share of these units are affordable for people below 120 percent MFI. As seen in figure 15, AU projects have larger shares of units that are deeply affordable, for example below 50 and 80 percent FMI. In other respects, such as tenure (rental vs. ownership), and type (single family vs. multifamily), AU projects do not appear to be different from the comparison group as shown in table 5.

TABLE 5

Characteristics of Affordability Unlocked Projects and Units

Compared with other Austin affordable housing projects not using Affordability Unlocked

	Affordability Unlocked projects (2019–23)	Other Austin affordable housing projects (2010–19)
Total projects	76	825
Total units in inventory	7,678	20,316
Average number of units per project	101	25
Share of units that are affordable	69%	37%
Share of ownership units	5%	4%
Share of rental units	95%	96%
Share of multifamily units	92%	97%
Share of single-family units	5%	3%
Share of other types of units	3%	<1%

Source: City of Austin, "Affordable Housing Inventory," dataset, https://data.austintexas.gov/Housing-and-Real-Estate/Affordable-Housing-Inventory/ifzc-3xz8.

Notes: The inventory includes all housing projects that have received a subsidy from or participated in a city of Austin developer incentive program before 2019. Analysis conducted with data as of July 5, 2023. "Units that are affordable" are those accessible at a family income below 120 percent MFI. "Other types of units" include accessory dwelling units, duplexes, fourplexes, and nonresidential units.

FIGURE 15

Affordable Units in Austin, Texas, by Type of Project

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Source: City of Austin, "Affordable Housing Inventory," dataset, https://data.austintexas.gov/Housing-and-Real-Estate/Affordable-Housing-Inventory/ifzc-3xz8.

Notes: FMI = Family Median Income. AU = Affordability Unlocked. The inventory includes all housing projects that have received a subsidy from or participated in a city of Austin developer incentive program before 2019. Analysis conducted with data as of July 5, 2023.

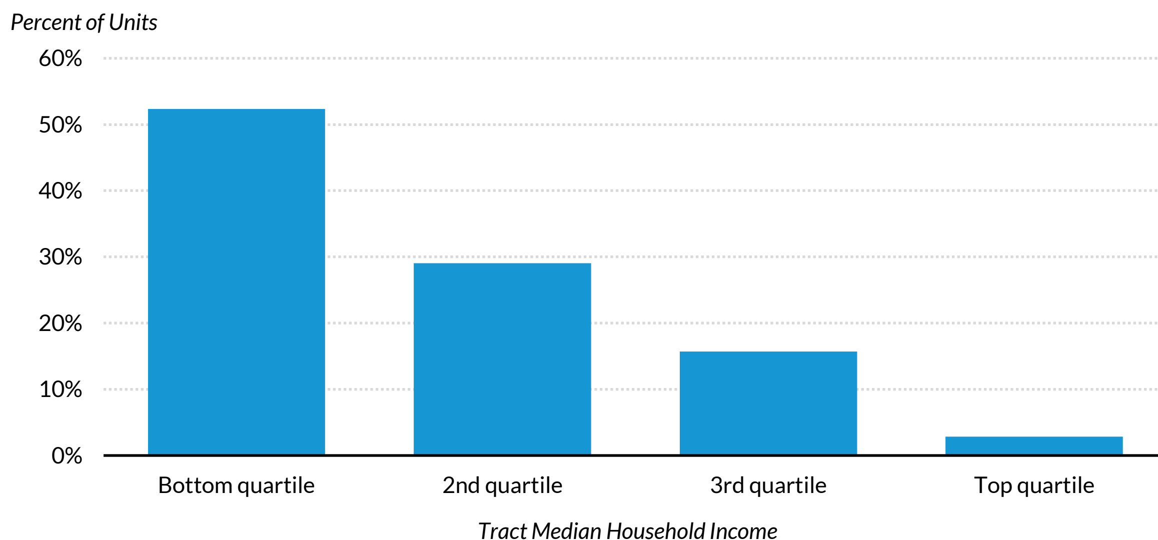
AU is designed to provide additional housing options for people with lower incomes. As mentioned, AU is predominantly used to build rental housing, which can disproportionately benefit youth and people of color, who are more likely to rent than to own.[51]

To further understand the potentially different outcomes of the policy on different demographic groups, we looked at the spatial distribution of AU projects by the income and racial composition of the census tracts where they are located. Figure 16 shows that more than half of AU projects (by the number of units) are in tracts with the lowest levels of median household income: 80 percent of AU units are in tracts below the 50th percentile. In terms of racial composition, 44 percent of tracts in Austin have populations that are 50 percent white or less, but more than 80 percent of AU units are in these tracts (see figure 17). In other words, AU units are disproportionately concentrated in communities with higher populations of people of color and people with low incomes. These findings are similar to those in California, where a study of the California Density Bonus Law found that

developments under the program were concentrated in low-income and minority neighborhoods (Ryan and Enderle 2012).

FIGURE 16

Austin, Texas, Affordability Unlocked Projects by Census Tract Median Household Income



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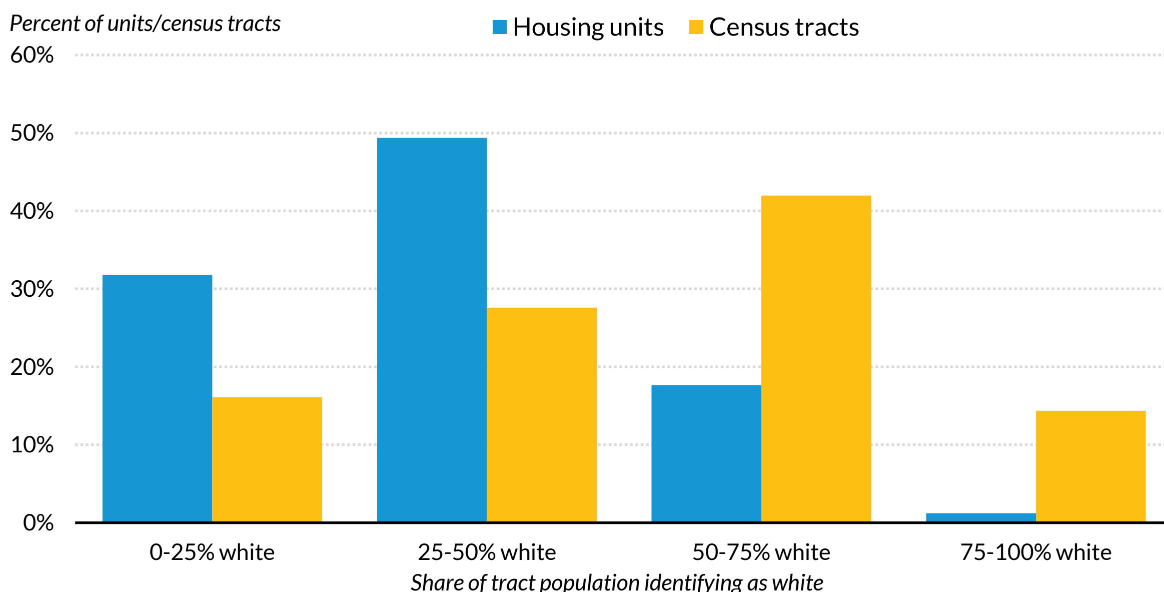
Source: City of Austin, "Affordable Housing Inventory," dataset, https://data.austintexas.gov/Housing-and-Real-Estate/Affordable-Housing-Inventory/ifzc-3xz8; American Community Survey 2015–2019 5-Year Estimates.

FIGURE 17

Austin, Texas, Affordability Unlocked Projects by Census Tract Racial Composition



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Source: City of Austin, "Affordable Housing Inventory," dataset, https://data.austintexas.gov/Housing-and-Real-Estate/Affordable-Housing-Inventory/ifzc-3xz8; American Community Survey 2015–2019 5-Year Estimates.

There is no consensus regarding the implications of this spatial distribution for residents or owners of these affordable housing units. Some scholars argue there is a "duty to reduce segregation" as a component of housing policy (Orfield et al. 2015), while others argue that it is not "a privileged objective of housing policy" (Goetz 2015. pg. 610). Further empirical analysis would be necessary to understand how the location of affordable housing impacts residents; is it better that these units are built where people with low incomes live now, closer to their networks and support systems? Or should they be built in other higher-income areas where economic opportunities may be more accessible?

We contacted representatives from two completed projects that leveraged AU to learn about the composition of their tenant base. Both projects were targeted at people at risk of homelessness, who, in Austin, are disproportionately people who are Black and Latino, according to these same sources. One project focused on supportive housing for senior citizens and tenants with reduced mobility, and the other project focused on people living with HIV. In both projects, the provision of housing was paired with a range of resident services, like access to case workers, financial coaching, supper clubs, and a rotation of nurses.

Early results suggest that AU is an effective bonus for developers looking to produce affordable housing. Around 1,926 affordable housing units have been approved on average each year since the program's inception in 2019.[52] However, this calculation likely underestimates the true potential of the program, since incentive policies of this type require some time to be leveraged and 2020 was an outlier in terms of housing production permits (the lowest level since 2014).[53] One of the developers that has utilized AU commented that they expect the program to be used more in the coming months and that although local and established developers know the program well, there is still opportunity for outside developers coming to Austin to learn about AU and begin using the program. In this sense, AU has the potential to make significant contributions to Austin's goal of building 60,000 affordable housing units by 2027. Furthermore, the passage of a $350 million affordable housing bond in Austin in November 2022[54] will likely boost opportunities for affordable housing developers to interact with the AU program.

However, a recent lawsuit brought by the same group of homeowners that successfully sued CodeNEXT could prevent these outcomes from materializing. The suit argues that the City of Austin failed to comply with state law by giving notice to homeowners of zoning changes around their properties. The threat worries those working on affordable housing in the city. As one developer noted, "[Affordability Unlocked] has really changed the face of affordable housing development in Austin and it scares me for someone to repeal this program or change it dramatically." The City of Austin argues that AU only changes the particulars of specific zoning categories but does not change the zoning category in each place. A city official interviewed by Urban confirmed that they would not slow down reviewing and, when applicable, approving AU bonuses and requirement waivers for as long as the program stands.

Housing Choices Bill in Oregon

Oregon House Bill 2001 that passed in 2019 (HB 2001) required select municipalities in Oregon to allow for greater housing choices through zoning code reform. The bill required that cities with populations greater than 10,000 update their zoning codes to allow for duplexes to be built anywhere currently permitting only detached single-family dwellings, and that cities with populations greater than 25,000 and cities in the Portland metropolitan area with populations over 1,000 allow for triplexes, fourplexes, cottage clusters, and townhomes—collectively known as "middle housing." The 36 large cities (over 25,000 residents) were given until 2022 and the 20 midsized cities (10,000–25,000

residents) were given until 2021 to develop revised codes to comply with the bill; otherwise, the cities would be forced to implement a model code developed by the Oregon Department of Land Conservation and Development (DLCD).[55] The small cities and towns within the metropolitan Portland area were given until 2022 along with the city of Portland.

The bill addressed the lack of adequate housing supply across the state, particularly affordable housing and housing types other than single-family housing. A 2021 Oregon housing needs analysis found that the state has a shortage of roughly 140,000 units of housing (OHCS 2021). The report found a particularly severe lack of affordable starter homes and restricted housing choices that limit the ability of low- and moderate-income households to find housing they can afford. Legislators and state officials we spoke with also cited rising homelessness and racial and economic spatial disparities as key issues arising from exclusionary land use policies.

Habitat for Humanity of Oregon, in partnership with local affiliates and other organizations, was influential in advocating for the passage and implementation of HB2001 and other pro-housing legislation in the same session. They contributed to the development of legislative text and garnered support for the policy. Local affiliates further contributed to development of local zoning codes to comply with HB2001.

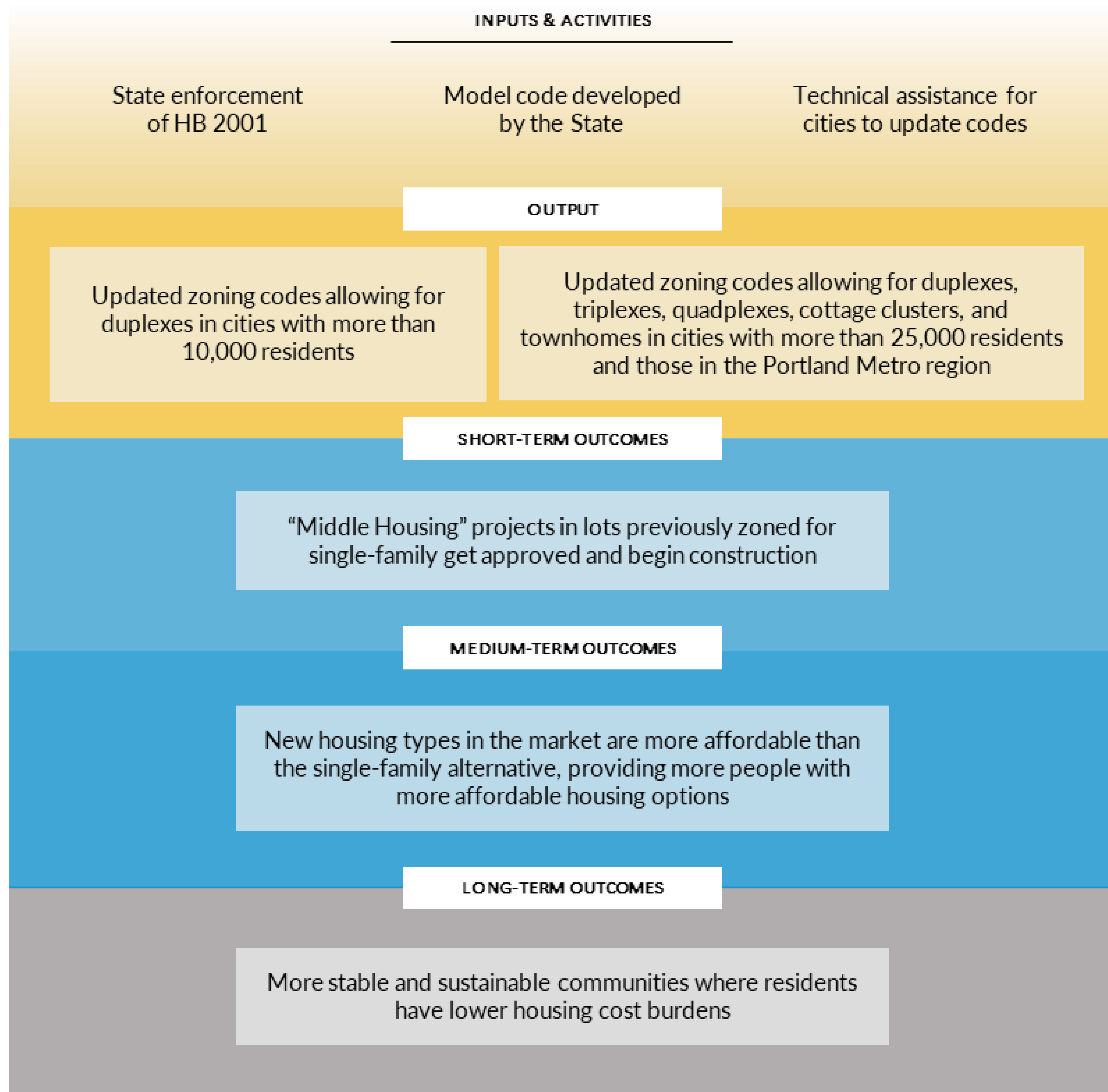
When many local constituencies were resistant to voluntarily implement statutory changes to permit middle housing, the state intervened. HB 2001 set minimum standards to allow for the development of middle housing, which was allowed in many Oregon municipalities prior to zoning code revisions in the second half of the 20th century that often made middle housing illegal. Given the mandate, many municipalities chose to go above and beyond the requirements set out in the model code and adapted their codes to respond to local needs and dialogue. For instance, the City of Bend, Oregon, also eliminated parking minimums. As of the end of 2022, all 56 municipalities affected by the bill had approved or implemented a compliant code. DLCD will be providing technical assistance to municipalities to help implement adopted codes.

Single-family housing will still be permitted, and interviewees expect that it will continue to be the most common type of housing built in the state. However, because middle housing was previously not permissible by right in these communities, it should now be economically advantageous to property owners and developers to build denser housing, resulting in more rentable or sellable units per plot of land. Consequently, over time the policy is expected to lead to an increased housing supply across the state as well as a greater diversity of housing options, as articulated in figure 18. Proponents of the bill and DLCD, which was responsible for overseeing its implementation, recognize that the impact of HB

2001 will be gradual and that much of what ultimately gets built will depend on local housing markets and local developers.[56]

FIGURE 18

Theory of Change for Housing Choices Bill in Oregon



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Source: Developed by the authors based on public information and stakeholder interviews.

EVIDENCE FROM THE LITERATURE

Upzoning, or increasing housing density through zoning code changes, has been an increasingly popular topic in the urban planning and housing field. The hypothesis is that by loosening restrictions on housing choices (e.g., the restrictions on middle housing in Oregon), cities can increase the supply of more affordable homes. An increase in the supply of housing may balance demand and thus improve affordability in the overall market.

Middle housing (i.e., duplexes, triplexes, and other medium-density housing types) has historically been a more approachable housing option for families with moderate or lower incomes (Parolek 2020). A study of California cities found that single-family homes are almost three times more expensive on average than condos that would be built as a result of legalizing middle housing (California Community Builders 2022). Another study in Seattle found that new multifamily homes (homes in properties with more than five or six housing units) sell for less than the average single-family home across the city, even older single-family units (Morales 2017). Nevertheless, an analysis of HB 2001's implications found that the bill could only modestly generate more affordable units if using infill (as opposed to demolishing existing single-family homes) and/or by incorporating subsidies.[57]

The available evidence suggests that there is a positive effect of upzoning on housing production, albeit with some caveats; the topic continues to be a subject of analysis in scholarship (Freemark 2023). Minneapolis is arguably the best-known case of middle housing legalization in the US. Since the change was implemented in 2020, the city has experienced a modest increase in the number of new duplexes, triplexes, and fourplexes: 64 over two years, or less than 2 percent of all new housing units. A recent study using econometric analysis in Auckland, New Zealand—which upzoned large sections of its residential land and increased threefold the number of dwellings that could be built—found that this policy increased overall construction of housing in the city (Greenaway-McGrevy and Phillips 2023). However, it appears that the zoning reform in Auckland had mixed effects on housing prices, depending on prior development intensity (Greenaway-McGrevy, Pacheco, and Sorensen 2021).

An analysis of cities across the US found that cities with zoning reforms that increased the allowed housing density saw increases in housing supply, although it seems this increase happened mostly for higher-rent units. Conversely, reforms that decreased the allowed density saw an increase in median rents and a decline in units affordable to middle-income renters (Stacy et al. 2023). Even when newly enabled housing supply concentrates on higher-rent units, evidence suggests that zoning reforms that increase allowed density can positively affect housing prices at the neighborhood level by freeing up more affordable housing units for households with lower incomes (Phillips, Manville, and Lens 2021).

On a national level, some evidence suggests that regulations constraining housing supply have significantly restricted US GDP growth in the most productive cities and produced negative externalities in housing and labor markets (Hsieh and Moretti 2019).

Some evidence suggests that upzoning reforms also increase property values in affected parcels. In Chicago, upzoning reforms appear to have increased property values for some parcels while not increasing overall supply (Freemark 2019). A similar result was found in Minneapolis, where the legalization of duplexes, triplexes, and fourplexes may have increased the price of affected homes, likely due to the new development options it offered property owners (Kuhlmann 2021). In this context, an analysis of several case studies suggests that, while helpful, most policy interventions at the state or local level produce relatively small numbers of affordable units by themselves and that these reforms are unlikely to meet the demand for below-market-rate housing absent other policies (Freeman and Schuetz 2016). Furthermore, after surveying the available evidence, some academics argue that blanket zoning reforms are unlikely to improve affordability in rich areas for lower-income residents (Rodriguez-Pose and Storper 2019). Other academics contest this assertion, claiming that the available evidence suggests that increasing allowable housing densities is an important part of housing affordability in expensive regions (Manville, Lens, and Monkkonen 2020).

As research on upzoning continues, it appears that the local context, specific features of code changes, and interactions with broader national and global economic trends are consequential. Whether upzoning by itself in a particular location will result in an increased supply of housing and influence affordability is not entirely certain, but it can be an achievable outcome with the right combination of circumstances and policy.

OUTCOMES TO DATE

HB 2001 impacted 56 cities in Oregon: there were 20 medium-sized cities required to allow duplexes and 36 large cities and counties required to allow duplexes and other middle-housing types in areas zoned for single-family housing (small cities and towns within the metropolitan Portland area are counted once together with the city of Portland). DLCD developed model codes that affected jurisdictions could either adopt or use as a basis for their own code. To date, all cities have adopted their own compliant codes.[58] Some of the impacted municipalities already allowed middle housing before the bill's enactment.

Some jurisdictions went beyond the requirements of HB 2001 to legalize even denser housing types. For example, the City of Newport allowed townhouses and cottage clusters in areas zoned for

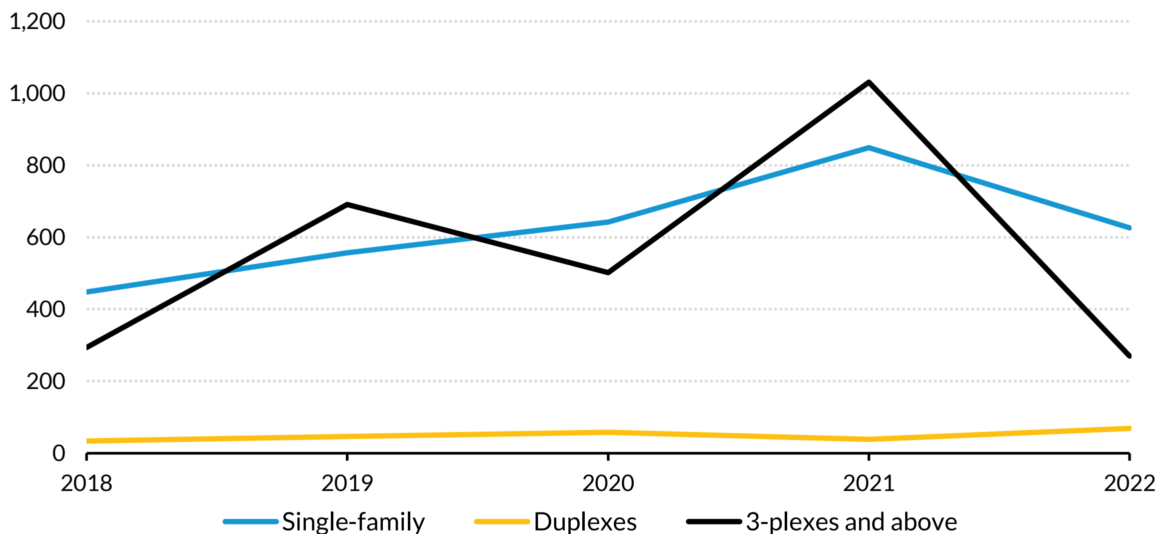
multifamily development, though it was only required to allow duplexes in all residential areas.[59] State officials reported that many other cities took the mandate as an opportunity to go beyond the minimum requirements and make changes to allow accessory dwelling units and reduce minimum lot sizes, parking requirements, and minimum setbacks, among others.[60]

Measuring outcomes of HB 2001 is challenging because cities have not yet reported to the state about permitting and production of the newly legalized housing types in lots previously zoned for single-family only. However, we attempted to approximate these outcomes by measuring how many permits were issued over the past five years for different housing types in different cities. We designated 2022 as the first year of HB 2001 implementation, although the effective date a city became compliant with HB 2001 varies between mid-2021 and mid-2022. We measured the number of permits by housing type both in absolute terms and as a share of all housing permits. The latter measure tries to take into consideration potential external factors affecting housing production, like economic shocks, high interest rates, and changes in construction costs.

In midsize cities (10,000 to 25,000 people), which were required to legalize duplexes but not other housing types, we saw a significant decline in 2022 in permits issued for single-family homes and projects with three units or more and a modest increase in duplexes from 39 to 69 units in 17 cities (see the yellow line in figure 19).

FIGURE 19

Number of Housing Permits in Oregon Cities with Populations of 10,000 to 25,000



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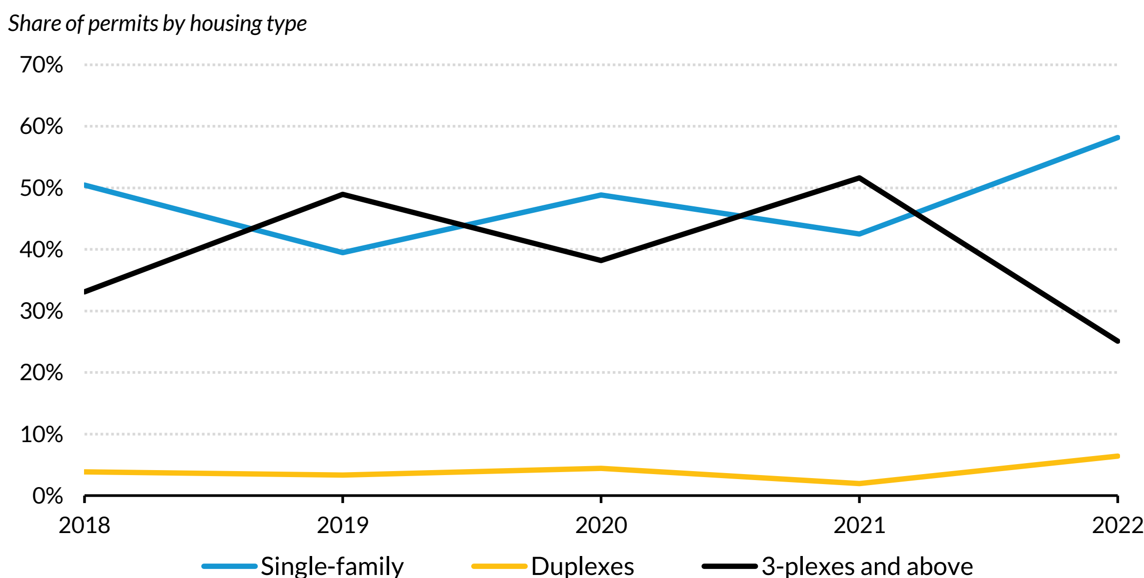
Source: Developed by the authors with data from Oregon's Department of Land Conservation and Development.

Notes: The cities in this analysis are Ashland, Coos Bay, Cottage Grove, Dallas, Hermiston, Independence, Klamath Falls, Lebanon, Monmouth, Newport, Ontario, Prineville, Roseburg, Sandy, Silverton, St. Helens, and The Dalles.

Relative to the total numbers of permits, duplex permits increased from 3 percent of all permits issued in 2021 to 6 percent in 2022 (see the yellow line in figure 20), while permits for triplexes and above decreased and single-family permits increased their share of all permits issued.

FIGURE 20

Shares of Housing Permits in Oregon Cities with Populations of 10,000 to 25,000



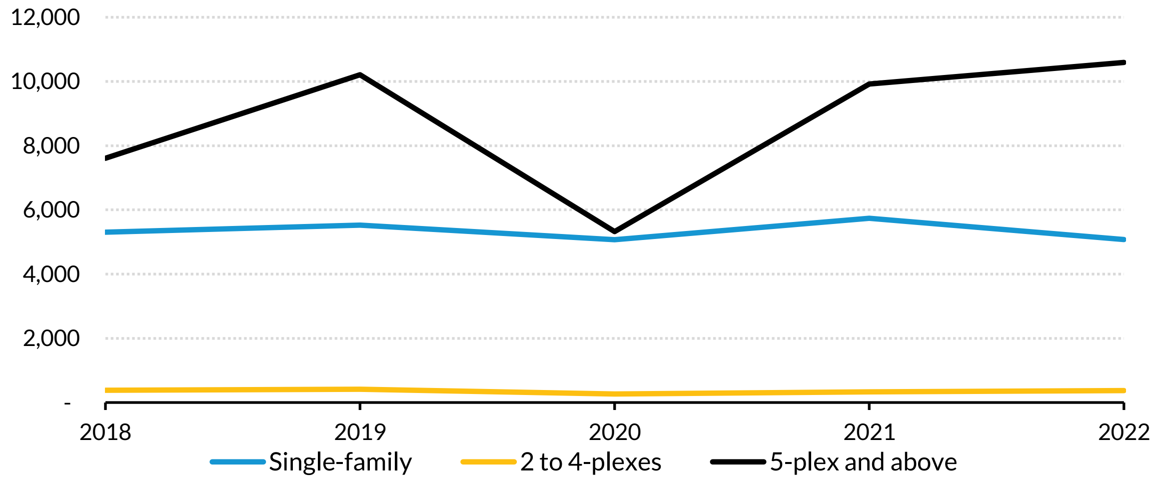
URBAN INSTITUTE

Source: Developed by the authors with data from Oregon's Department of Land Conservation and Development.
Notes: The cities in this analysis are Ashland, Coos Bay, Cottage Grove, Dallas, Hermiston, Independence, Klamath Falls, Lebanon, Monmouth, Newport, Ontario, Prineville, Roseburg, Sandy, Silverton, St. Helens, and The Dalles.

In the 36 large cities (more than 25,000 people) that were required to legalize up to fourplexes and that are included in our sample, the number of permits issued for newly legalized middle housing increased only modestly from 2021 to 2022 (although 2022 levels are still below 2019 and 2018 unit counts: 372 units in 2022 compared with 414 units in 2019 and 386 units in 2018) and the share of middle housing permits changed only slightly in the same timeframe (see the yellow lines in figure 21 and figure 22). This may not reflect the true effect of HB 2001, as most of these units are in Portland, which went above the bill's requirement and legalized up to six-unit housing types (see the black lines in figure 21 and figure 22). The state permit data do not allow us to disaggregate five- and six-unit types from other higher-unit housing types. Projects with five or more units saw a significant increase since 2021 in absolute and relative terms, recovering their pre-pandemic levels.

FIGURE 21

Number of Housing Permits in Oregon Cities with Populations of More than 25,000

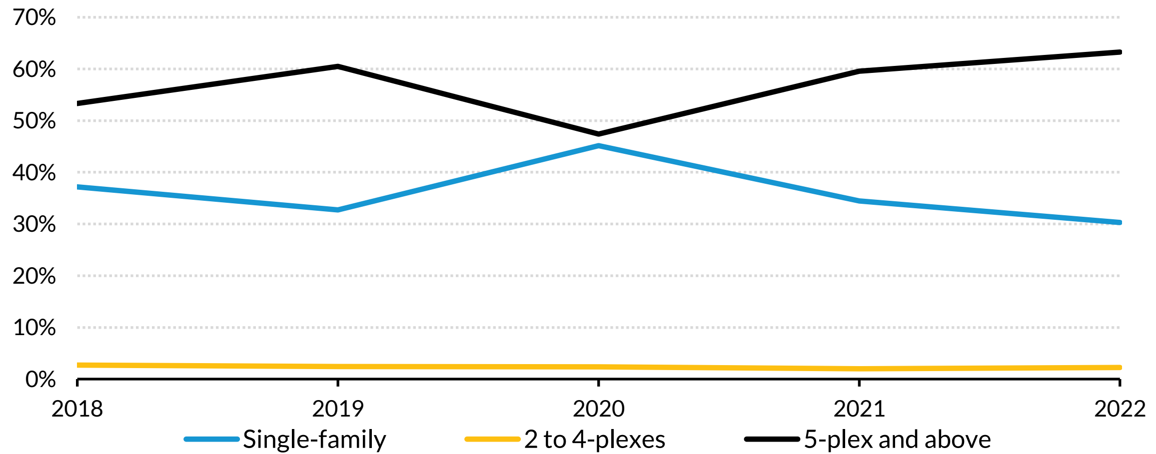


URBAN INSTITUTE

Source: Developed by the authors with data from Oregon's Department of Land Conservation and Development.
Notes: The cities in this analysis are Albany, Baker City, Beaverton, Bend, Cornelius, Corvallis, Eugene, Fairview, Forest Grove, Gladstone, Grants Pass, Gresham, Happy Valley, Hillsboro, Keizer, La Grande, Lake Oswego, Lincoln City, Medford, Milwaukie, Molalla, Newberg, Oregon City, Portland, Redmond, Salem, Sherwood, Springfield, Sweet Home, Tigard, Tualatin, West Linn, Wilsonville, and Woodburn.

FIGURE 22

Shares of Housing Permits in Oregon Cities with Populations of More than 25,000



URBAN INSTITUTE

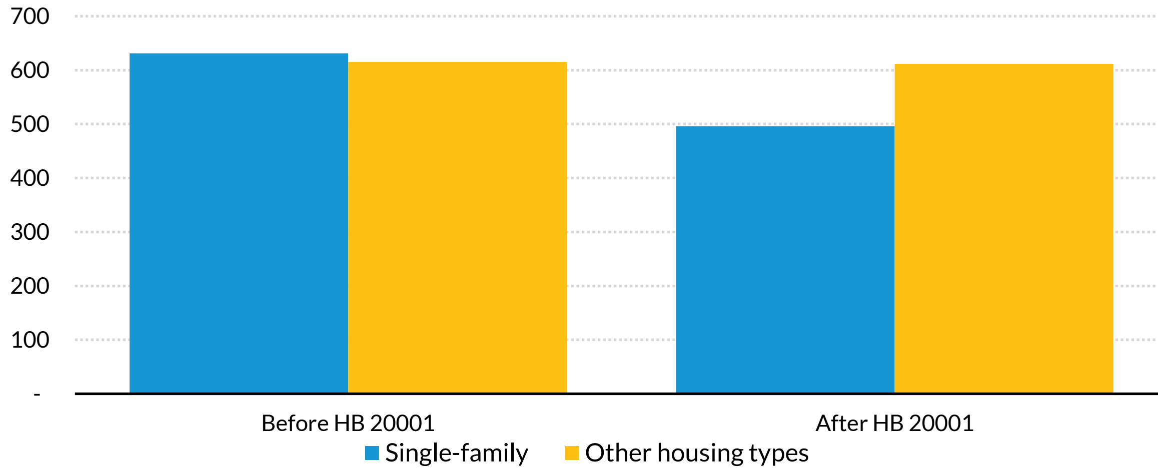
Source: Developed by the authors with data from Oregon's Department of Land Conservation and Development.
Notes: The cities in this analysis are Albany, Baker City, Beaverton, Bend, Cornelius, Corvallis, Eugene, Fairview, Forest Grove, Gladstone, Grants Pass, Gresham, Happy Valley, Hillsboro, Keizer, La Grande, Lake Oswego, Lincoln City, Medford, Milwaukie, Molalla, Newberg, Oregon City, Portland, Redmond, Salem, Sherwood, Springfield, Sweet Home, Tigard, Tualatin, West Linn, Wilsonville, and Woodburn.

To contextualize these results, we also looked at trends at the national level using data from the Federal Reserve. The US as a whole and the 56 Oregon cities impacted by HB 2001 saw the same percent change in permits issued between 2021 and 2022 for single family homes: a decline of 13 percent. Permits issued for duplexes, triplexes, and fourplexes in Oregon's large cities by number of units increased by 12 percent, while only increasing by 5 percent for the US during this same time period. Finally, unit permits in projects of 5 units or more saw virtually no change between 2021 and 2022, but in the US they increased 12 percent.[61] In this sense, Oregon outperformed the rest of the country in issuing permits for middle housing (duplexes, triplexes, and fourplexes) in 2022.

We also looked at data from the Federal Reserve on housing units authorized in the Portland metropolitan area. This dataset offers the number of permits by month for single-family housing and for all other types. As shown in figure 23, the average monthly number of permits issued for single-family housing in the Portland metropolitan area dropped during the 20 months that followed the city's implementation of HB 2001 in Portland in August 2021, while the average number of permits for all housing types stayed the same compared with the 43 months before HB 2001. As figure 24 shows, single-family permits went from an average of 54 percent of all housing permits to 47 percent after HB 2001 came into effect. As with the previous estimates, these results do not necessarily mean that HB 2001 is shifting production of housing away from single-family units, since those housing types that are not single-family could be large multifamily projects not affected by HB 2001.

FIGURE 23

Average New Monthly Private Housing Units Authorized by Building Permits in the Portland, Oregon, Metropolitan Area

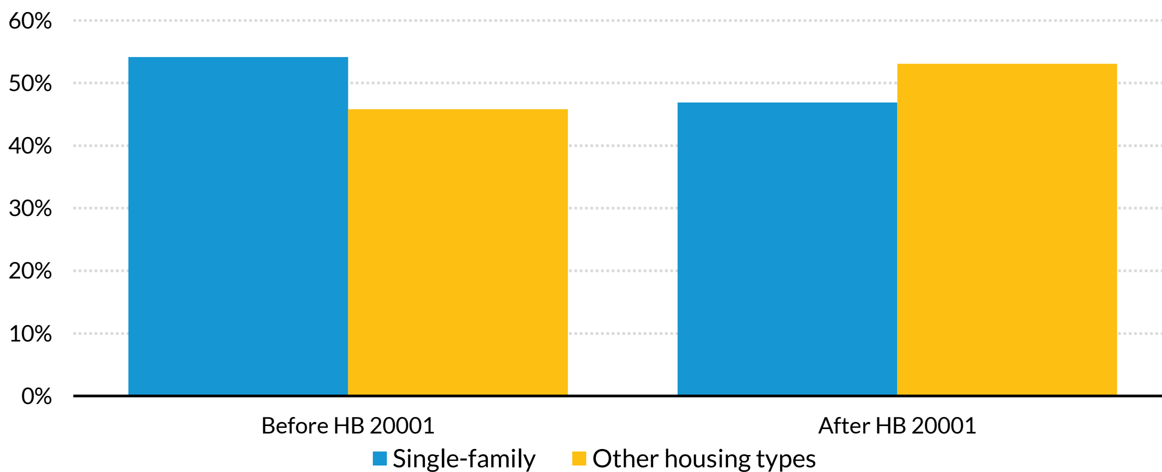


URBAN INSTITUTE

Source: Developed by the authors with data from the Federal Reserve of St. Louis.
Notes: HB 2001 = House Bill 2001. The City of Portland effectively complied with HB 2001 in August 2021. "Before HB 2001" refers to January 2018 to July 2021 and "After HB 2001" refers to September 2021 to April 2023. We exclude permits issued in August 2021 from this analysis.

FIGURE 24

Average Share of New Monthly Private Housing Units Authorized by Building Permits in the Portland, Oregon, Metropolitan Area



URBAN INSTITUTE

Source: Developed by the authors with data from the Federal Reserve of St. Louis.
Notes: HB 2001 = House Bill 2001. The City of Portland effectively complied with HB 2001 in August 2021. "Before HB 2001" refers to January 2018 to July 2021, while "After HB 2001" refers to September 2021 to April 2023. We exclude permits issued in August 2021 from this analysis.

To contextualize these results, we compare them with trends in the US for the same time frames. While the average number of permits issued every month for all housing types decreased by 11 percent in the Portland metropolitan area after HB 2001 was implemented, the US saw an increase of 12 percent, mostly driven by a growth in permits for projects with more than one unit. Similar to Portland, the US saw an increase in the share of average monthly permits for projects with more than one unit. This further complicates the ability to assess whether these changes in the Portland metropolitan area could be a response to the implementation of HB 2001.

It is not possible to disaggregate the available data by demographic. However, the historic links between single-family zoning and racial segregation are well documented (Rothstein 2017). Still today, single-family zoning has been found to exclude people with low incomes and people of color from accessing quality education and economic opportunities, especially in high-demand markets (Menendian et al 2020).[62] Across the country, communities with higher shares of detached single-family homes tend to have a higher share of white residents. Conversely, communities with more diverse housing types are found to be more racially diverse.[63] Similarly, an analysis of the Connecticut Zoning Atlas found that single-family zoning was correlated with higher incomes and larger shares of white residents (Freemark, Lo, and Bronin 2023).

Using this evidence, we can hypothesize that limiting exclusion through single-family zoning could have positive impacts for certain demographic groups, such as people of color and people with low incomes. However, this assertion should be tested, as some evidence suggests that upzoning by itself may not lead to more affordable units available in the market, as discussed before.

POLICY OUTLOOK

Oregon's strategy in enacting HB 2001 is notable for its use of state authority to mandate local action. Many local planners and housing advocates may support land use liberalization, but policies such as upzoning are often stymied by local constituencies, typically property owners. While state preemption is typically associated with curtailing local action, Oregon used its power to set a floor for counties and municipalities, with the implicit encouragement to go above and beyond if desired. In doing so, state legislators set out a vision for state housing and land use policy while allowing for flexibility of implementation at the local level. Oregon may prove to be a model for other state legislatures with pro-housing coalitions.

Though HB 2001 was enacted in 2019, it will still be several years before its full impact is realized. In general, because housing construction is a time-consuming process, there will be a lag of multiple

years between the enactment of legislation and resulting development. Builders across the state will need to become acquainted with new codes and allowable housing types. Some builders may previously have only had a market for single-family homes, and thus do not have experience yet with constructing middle housing. Further, as existing housing goes through its life cycle, more properties will need to be redeveloped. It may not be advantageous to demolish a single-family home in good condition, but upon sale or over time, redevelopment at a higher density may be more feasible. In the near term, middle housing will likely be more appealing to affordable housing developers looking to make new constructions financially viable.

Ensuring Access to and Development of Communities of Opportunity

Just Cause Eviction Bill in Washington

Washington is one of five states that has just cause eviction legislation. Washington's legislation, HB 1236, was passed in March 2021 as other tenants rights bills—right to counsel, in particular—were being enacted.[64] While some communities in the state (notably Seattle) previously had some version of just cause protections prior to the state-level law, most did not.

In many states, no-fault eviction policies empower landlords to evict residents without having to provide a justification. Until 2021, Washington had what one interviewee called a "really aggressive eviction process" in which tenants, prior to showing up in eviction court, did not know what charges were being brought against them. This is unlike many other civil proceedings that include procedures for discovery and prior disclosure. Additionally, Washington has "pocket service" which allows debt collectors (including landlords) to send a court summons and complaint to people prior to filing a complaint in superior court. Deadlines for response start at the date of receipt, whether or not the case has actually been filed in court.

These features have had significant ramifications for eviction patterns in Washington. First, the combination of no-cause eviction with pocket service means that Washington likely has had an even higher share of "hidden" evictions than elsewhere. With tenants served eviction notices outside of court and not necessarily given a reason for their eviction, the number of people leaving prior to any official court filing is simply unknown (Nelson et al. 2021).

This context inspired the push for just cause eviction legislation to specify and limit the grounds upon which tenants could be evicted. The law required landlords to provide a reason for eviction and specified a set of acceptable reasons (including failure to pay rent, nuisance-related reasons, or an owner's request to take over the unit for their own use).

Habitat Seattle-King County supported the passing of this law by working in coalition with other housing justice organizations, testifying in support of the bill and meeting with lawmakers. They continue to support the monitoring of the policy, having recently worked with Habitat International to update their calculations of the policy's impact on low-income renters in the state.

COVID-19 and the policies enacted in its wake had profound effects on eviction trends. Federal, state, and local eviction moratoria and court closures led to an almost-total stoppage of eviction proceedings from spring 2020 to summer 2021, when numbers started increasing again. Patterns in Washington mirror these national trends.

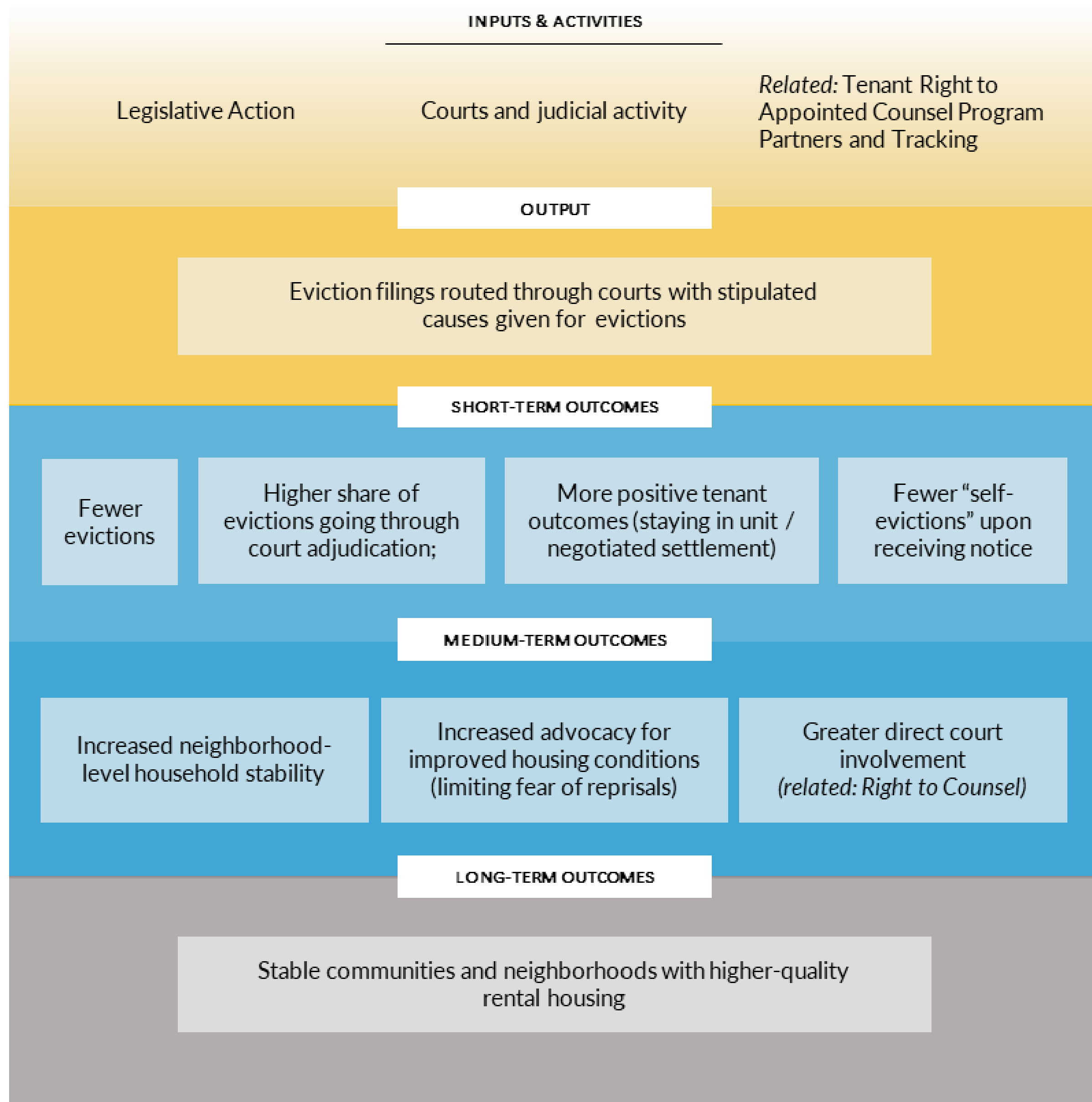
The proximate goal for advocates promoting just cause eviction legislation is to promote renter stability, particularly for low-income tenants. A National Low Income Housing Coalition brief noted five main goals:

- "Protecting renters from evictions for no fault of their own.
- Delivering a sense of stability to tenants.
- Discouraging renters from self-evicting when they receive eviction notices from landlords.
- Empowering tenants experiencing poor living conditions, discrimination, or other illegal landlord behavior to advocate for improvements with landlords or file complaints without fear of retaliation.
- In some cases, protecting tenants from unreasonable rent increases" (Vasquez and Gallagher 2022).

Over a longer time horizon, a theory of change for just cause eviction legislation would posit that these shorter-term outcomes would translate to increased household- and neighborhood-level stability, housing quality, and more equal treatment of eviction cases in courts (figure 25).

FIGURE 25

Theory of Change for Just Cause Eviction Bill in Washington State



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Source: Developed by the authors based on public information and stakeholder interviews.

EVIDENCE FROM THE LITERATURE

As policy efforts to reduce eviction have proliferated, so too have studies examining their effects. Research has shown that enacted right to counsel policies have been shown to improve legal outcomes and increase housing stability for tenants (Seron, Frankel, Ryzin, and Kovath 2001),[65] There is less

research to date on just cause eviction policies specifically, although a study of California cities examining eviction trends in four cities that had passed just cause eviction policies found that there were fewer eviction filings and lower eviction rates in those cities than cities that did not have those protections (Cuéllar 2019). Elsewhere, assessments of existing laws indicate the importance of their statutory language. In New Jersey, which enacted just cause eviction in 1974, advocates argue the policy has not had a strong effect on eviction trends, in part because it lacks a threshold for defining what a prohibited "unconscionable" rent increase means, making it difficult to enforce.[66] This means that just cause eviction protections may be particularly impactful when linked to other tenant protections. Right to counsel, for instance, means tenants would have access to legal supports for assessing and responding to stated claims for evictions made by landlords,

OUTCOMES TO DATE

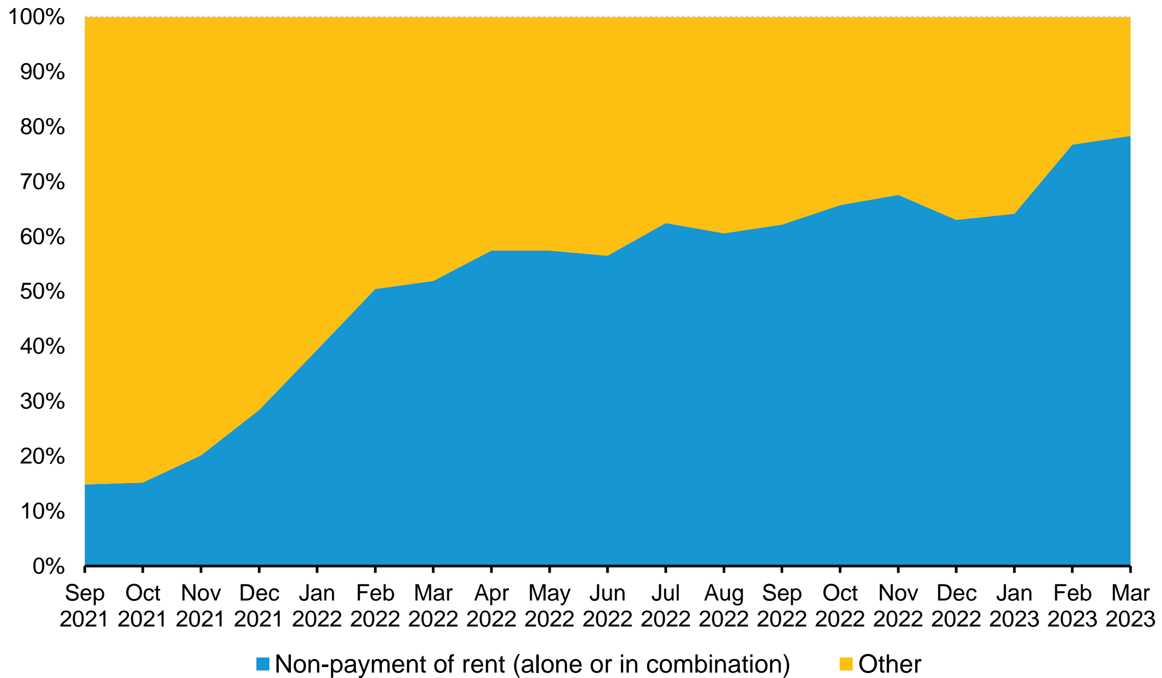
Understanding the effects of the passage of just cause eviction legislation in Washington is complicated because the state also passed right to counsel legislation in 2021 that provides legal counsel to tenants in eviction proceedings. However, it also presents an opportunity to use the data-collection apparatus created as a part of the right to counsel program to understand trends in more detail. Passed in April 2021, the right to counsel legislation incorporated statewide data collection efforts and was fully staffed in January 2022.[67] While explicitly targeted at tenants experiencing extreme poverty, the program's data-collection approach provides valuable insights into recent eviction patterns. A final report on the program to date is expected to be released in 2023.

An early findings report noted that Washington state eviction filings in 2022 remained well below prior years (even if rising), and posited that eviction reforms (including right to counsel and just cause eviction) had an impact on those trends, particularly due to landlords making a "recalibration of cost-benefit considerations" when deciding whether to file.[68] In other words, the combined costs of filing made landlords less likely to file weak cases. The report also noted that in terms of these considerations, not all causes were created equal: nonpayment of rent causes were more straightforward for courts to handle and took less time to litigate than other disputes. As inflation increased and emergency rent payments wound down, report authors posited that the share of unlawful detainers focused on nonpayment of rent would increase.[69] As figure 26 shows, this seems to be true (for cases where a reason is included), with the share of unlawful detainers focused on nonpayment of rent increasing from 15 percent in September 2021 to 78 percent in March 2023.

FIGURE 26

Reason Provided for Eviction ("Unlawful Detainer") Cases in Washington State

September 2021 through March 2023



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Source: Estimated using Washington State Office of Civil Legal Aid, "Eviction Defense Appointed Counsel Program Data Dashboard 1-01-22 through 6-30-23," accessed August 8, 2023, from https://ocla.wa.gov/reports/

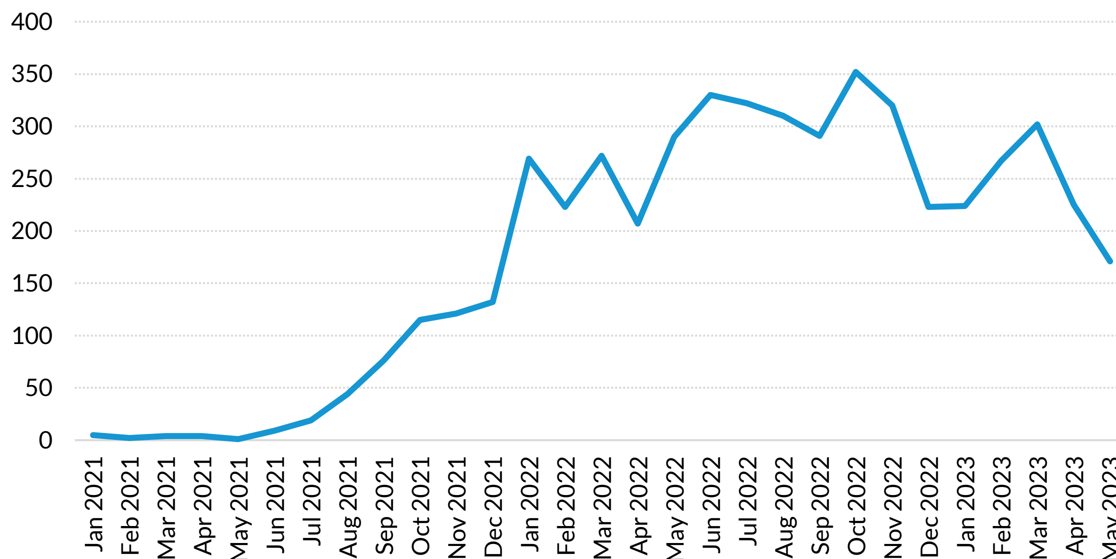
Note: Only cases with a reason listed are included.

Figure 27 shows the number of unlawful detainer actions filed and recorded through the Right to Counsel Program from January 2021 to May 2023. It shows a significant increase from 2021 through a peak of 352 in October 2022, then a decrease to 171 in May 2023. As these are only filings recorded as part of the program, they do not show all eviction filings in the state; however, the program's focus on low-income renter households indicates, for these households, that filing trends have been moderating in recent months. The forthcoming report to the Washington State Legislature will provide more context for these trends and for the program.

FIGURE 27

Washington State Eviction Counts ("Unlawful Detainer" Action Filed) Recorded through the Tenant Right to Appointed Council Program

January 2021 through May 2023



URBAN INSTITUTE

Source: Estimated using Washington State Office of Civil Legal Aid, "Eviction Defense Appointed Counsel Program Data Dashboard 1-01-22 through 6-30-23," accessed August 8, 2023, from https://ocla.wa.gov/reports/

POLICY OUTLOOK

Interviewees had positive thoughts on the just cause legislation and saw it as a way to bring the courts more effectively into the eviction litigation process and provide more support to tenants. Interviewees familiar with filing trends in Washington stated that they believed that just cause and right to counsel legislation have lowered eviction counts. This is not the case for all states: in several states with eviction data, eviction rates are currently higher than they were prior to the pandemic. It is too early to confirm that initial eviction patterns in the wake of just cause and right to council will continue in Washington, but evidence to date suggests that these policies contributed to lower eviction filing rates.

As noted, using eviction data alone to understand trends is problematic, especially given the unknown scope of hidden evictions. One could hypothesize that these laws would have caused eviction filings to go up, particularly for landlords who previously relied on pocket service and no-cause eviction to pressure tenants out of their housing. These policies could have the effect of routing more cases through the courts. But this goes both ways: one interviewee noted that, at least anecdotally, there were cases of extralegal evictions taking place (such as landlords barring tenants from entry and gutting units immediately) that could be due to landlords getting frustrated with less successful formal legal

approaches. Issues related to extralegal evictions have also been posited in the academic literature as a potential matter to investigate (Nelson et al. 2021).

Despite these uncertainties and concerns, the just cause eviction and right to counsel protections in Washington have formalized the role of the courts and provided support to tenants, substantially altering the eviction process in Washington. They also indicate the promise of these policies for supporting renter housing stability more broadly, even if these longer-term impacts will take time to develop and understand.

Supporting Effective Policies: Recommendations for Cost of Home Moving Forward

The eight policies assessed here have complementary goals but use diverse approaches to accomplish them. All were also implemented in the middle of a pandemic that created a host of uncertainties around the economy and housing, with ripple effects that are still being felt. COVID-19 did provide a rare opportunity to test innovative housing policy ideas. At the federal level, the Emergency Rental Assistance Program (as well as various eviction moratoria) provided support to millions of renters across the United States. The wider acknowledgment that the country was facing an increasingly acute housing affordability crisis led to increased policymaking efforts to promote the construction and preservation of affordable housing and to provide pathways for the market to produce housing more in line with growing needs.

However, the policies assessed here are also new. While some policies (such as trust funds and just cause eviction legislation) have enough history in other contexts to inform our understanding of their possible effects, many of these housing innovations are novel (especially land use reforms intended to promote more housing creation). In addition, while some policies have measurable effects that can be felt almost immediately—including home purchase assistance programs, rent reporting for credit building, and just cause eviction legislation—it may take years or decades to understand the impacts of others. For these, our assessment of short-term impacts must also be mindful of longer-term repercussions. For example, the process for allocating trust fund or housing bond funds takes years, involving requests for proposals, project selection, planning, financing, building, and move-in. And structural changes to housing markets from these targeted investments may take even longer to identify and measure. The impact of land use policies, particularly, needs to be thought of over a long time horizon. Housing and housing supply are sticky: it may take years or even decades for a particular

plot of land (with or without an existing housing unit) to come up for sale or potential redevelopment, even after being rezoned. As such, the assessments we provide have considered those limitations while identifying the extent to which the policies are appropriately targeting their shorter-term goals.

With this context in mind, these are our general recommendations for how to think about and support effective policymaking and implementation.

1. Craft policies that are flexible and can respond to identified implementation challenges. Policies that are flexible enough to be revisited and tweaked have a greater chance of success than those that are locked into a set model. Even over short period of time, we found several examples of policies that have been tweaked or updated based on initial implementation challenges or changing housing market conditions, and this is likely to help them succeed.
2. In terms of monitoring, be realistic about what metrics are achievable and measurable in the short and long term. Clarifying what people can expect to see and when can help identify implementation challenges and maintain broader support for the policy in question.
3. Communicate in concrete terms what the policies are doing and what they are achieving. This may include detailed resources on technical considerations and/or progress. It should also include digestible takeaways for people who do not keep up with these policies on a regular basis. As things rarely go exactly according to plan, communicating expectations, challenges, and solutions will help maintain broader support. This may be a role for municipal government, but nonprofits—including Habitat affiliates—can also develop takeaways they can use to discuss these projects.
4. Continue supporting the policy's implementation after enactment. After an exciting milestone, all too often champions of a policy move on to other things. If progress is slow or a project faces hurdles, those left to implement policy initiatives may be unsupported, even if challenges are surmountable. Enacted policies may still face detractors and risks of revocation (see Austin's Affordability Unlocked), so advocacy work may need to continue to ensure policies stay.
5. Look out for unintended policy consequences. Policy advocates are among the first to identify things that are not quite proceeding according to plan or people facing challenges or problems indirectly (or even directly) related to a particular policy. Habitat affiliates should monitor many aspects of a policy, such as roadblocks in financing a housing initiative and challenges that people they work with may be coming up against. The last hundred years of zoning and housing policies have taught advocates and those who study these issues that even well-intentioned

policies can be harmful if not continuously reassessed and updated (consider, for example, single-family zoning, redlining, and subprime and predatory lending).

Our assessment of the eight policies highlights the importance of accounting for all of these elements and stresses the centrality of ongoing support for local- and state-level policymaking *and* policy monitoring.

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