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RESEARCH REPORT

State and Local Housing Decommodification Efforts and Their Implications for Federal Policy

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State and Local Housing Decommodification Efforts and Their Implications for Federal Policy

Between 2020 and early 2023, rents rose 23.9 percent while nominal home prices rose 37.5 percent (JCHS 2023, 2024). Meanwhile, real median earnings decreased 2.2 percent between 2021 and 2022, leaving renters and homeowners struggling to afford these rising housing costs.[1] Although the affordability crisis is largely a function of the nationwide housing shortage (Alexandrov and Goodman 2024), the problems of affordability and stability are exacerbated by commodification, which enables and incentivizes the treatment of housing as an asset to profit from rather than an essential good to be used (Fu and Velasco 2023). Improving affordability and stability—and in so doing accelerating housing justice (Pitkin, Elder, and DeRuiter-Williams 2022)—therefore requires attention to *de*commodification, which entails decoupling access to housing from ability to pay.

As we argued in *Decommodification and Its Role in Advancing Housing Justice*,[2] decommodification can contribute to a more equitable housing market by ensuring low-income households, households of color, and other historically marginalized groups have access to safe, stable, and affordable housing in places where they can access jobs, services, and other necessities that position them to thrive. Policymakers' interest in housing decommodification has increased in recent years—in his FY 2025 budget, President Biden proposed a $20 billion fund that would, among other things, increase the stock of permanently affordable housing, including community land trusts and mixed-income public development.

In light of this interest, in this report we expand on our previous work by drawing out three critical considerations for federal policymakers interested in advancing decommodification. We begin by describing our findings from a national scan of recent state and local policies (including ones that were proposed but did not pass) intended to support decommodification. We propose a typology of three distinct policy approaches to decommodifying housing based on these findings, and we examine the extent of federal support for these approaches. We conclude with a discussion of three key considerations for further federal action: (1) how much permanently affordable housing needs to be created to achieve stability and affordability for all households, (2) how public and social housing programs can be designed to avoid past pitfalls and ensure sustainability, and (3) how housing providers can empower community members with decisionmaking and governance roles in equitable and inclusionary ways.

Recent State and Local Efforts to Support Decommodification

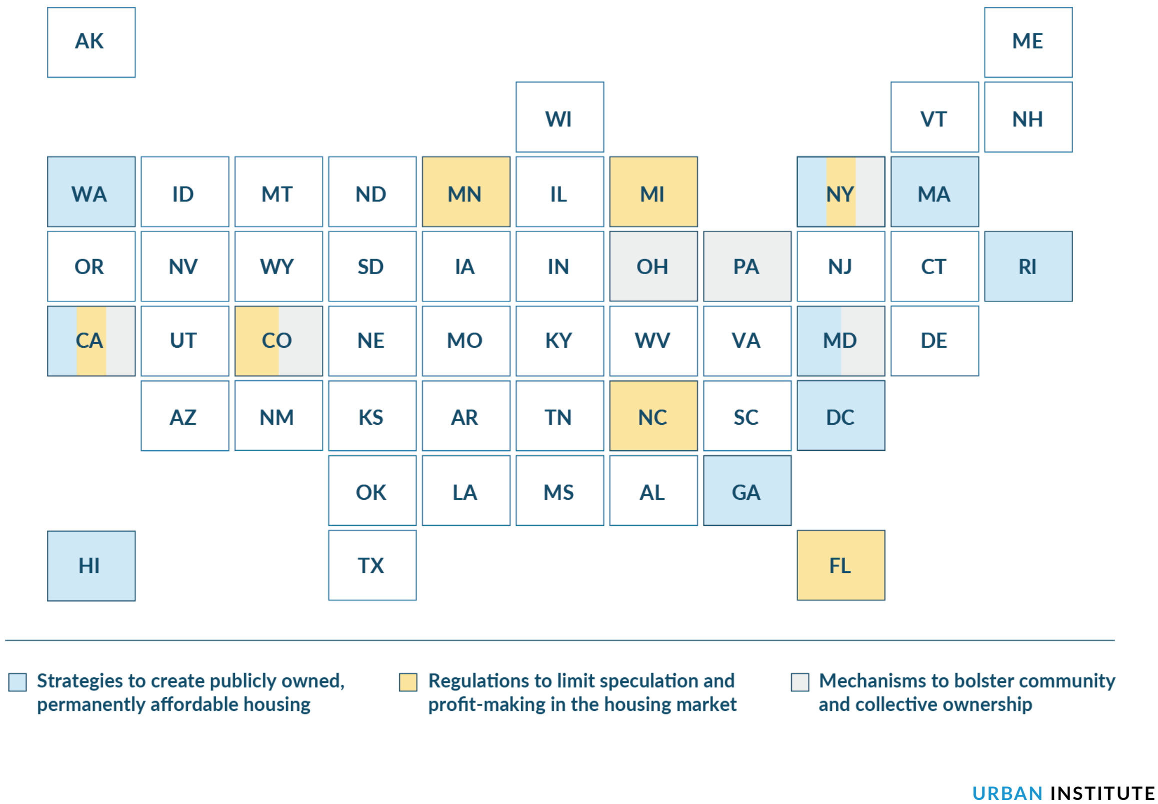
We conducted a national scan to identify recent state and local efforts to support housing decommodification, including legislation (proposed or passed) and new or newly expanded programs being actively implemented (figure 1). We did this by searching for key terms using legislative tracking tools including LegiScan, BillTrack50, TrackBill, the National Low Income Housing Coalition's Rental Housing Database, and the National Conference of State Legislatures' Housing and Homelessness Legislation Database to identify relevant policies and programs. We limited our search to legislation proposed in the past five years and included legislation proposing to extend or expand existing programs. We also searched each state's housing department or office website and scanned a selection of local housing authority websites for relevant programs and policies. Though we may not have comprehensively captured all relevant policies across all 50 states and 90,000 local governments, we highlight examples of state and local policies or programs created in the past five years below and in table A.1 in the appendix.

Through this scan, we identified three main strategies by which housing decommodification efforts are occurring: (1) efforts to create publicly owned, permanently affordable housing, (2) efforts to limit speculation and profit-making in the housing market, and (3) efforts to bolster community and collective ownership. Figure 1 maps the states where each strategy has been recently proposed or enacted at the state and/or local levels.

FIGURE 1

State and Local Efforts to Support the Decommodification of Housing

Jurisdictions where policies advancing decommodification have been proposed, 2019 to 2024

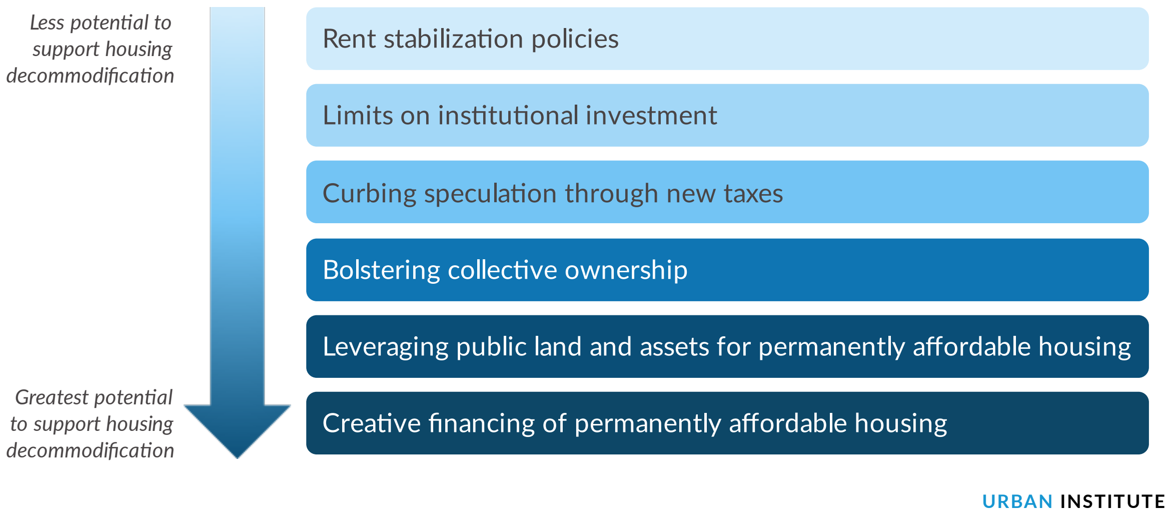


Source: Authors' analysis.
Note: Shaded states are those where strategies have been proposed at the state and/or local levels.

Within each strategy, we also identify specific types of policies legislators have proposed. These include policies that support the creative financing of permanently affordable housing, policies that leverage public land and assets to create permanently affordable housing, policies that propose new taxes to curb speculation, policies that regulate institutional ownership of housing, rent stabilization policies, and policies that bolster community ownership. Though all these policies are likely to support housing decommodification to some degree, only creating new, permanently affordable housing will reduce the need for households to compete for housing on the private market, where access is tied closely to ability to pay. Policies that do not remove units from the speculative market but instead regulate housing provision by market actors, such as rent stabilization, though important, contribute less directly to decommodification, because they only slow the rate at which housing becomes less affordable (instead of making housing more affordable by expanding supply). We illustrate this spectrum in figure 2.

FIGURE 2

The Spectrum of Policies That Can Support Housing Decommodification



Source: Authors' analysis.

Regardless of their varied potential to support housing decommodification, these policies are complementary and can work together to advance a more equitable housing market nationwide.

Strategies to Create Publicly Owned, Permanently Affordable Housing

We found that many states and localities are testing creative new approaches for financing the development and preservation of publicly owned housing, with the goal of achieving permanent affordability by taking housing off the private, speculative market. These include leveraging new and existing federal, state, and local government funding sources, pursuing creative models like cross-subsidization, and leveraging government-owned assets, such as publicly owned land.

CREATIVE FINANCING OF PERMANENTLY AFFORDABLE HOUSING

With very few exceptions, housing affordability requirements typically end after a certain compliance period. This is true of the main source of federal funding for affordable housing development, the Low Income Housing Tax Credit, which includes an initial 30-year affordability period. Although public housing is permanently affordable, federal financing of new construction is limited by the Faircloth Amendment, and the public housing capital fund covers only a portion of needed repairs on existing units because of chronic underfunding. In 2019, the capital backlog for public housing was estimated to be over $50 billion (Yentel 2019).

Some recent proposals have outlined financing ideas to create more housing units that have either very long-term or permanent affordability requirements. California's Social Housing Act (A.B. 309) passed in the state assembly and senate but was vetoed by Governor Newsom.[3] The bill would have created a Social Housing Program within the state's Department of General Services, whose mission would have been to ensure that qualified social housing developments were produced on leased state properties. The bill defined social housing as "publicly owned, mixed-income housing, removed from market forces and speculation, and built with the express aim of housing people equitably and affordably." The bill also specified that units would be affordable in perpetuity.

A.B. 309 proposed to achieve permanent affordability by requiring the new program to prioritize bids that demonstrated long-term revenue neutrality (in which all expenditures are returned through rents, mortgages, or other subsidies) or a cost rent model (in which rent is calculated based on the cost of providing for and maintaining a dwelling, allowing only for limited or no proceeds). Although Governor Newsom vetoed A.B. 309, California passed, and the governor signed, another bill involving social housing, the Stable Affordable Housing Act (S.B. 555), in the same cycle. S.B. 555 directed the state's Department of Housing and Community Development to conduct a study on how social housing could help the state achieve its goal of 1.4 million new housing units for households with low and moderate incomes. The bill defined social housing as permanently affordable, mixed-income housing owned and managed by a public agency, a local housing authority, a limited-equity cooperative, or a mission-driven nonprofit, a more expansive definition than in A.B. 309.[4]

At the local level, Montgomery County in Maryland created a $100 million revolving fund in 2021 through the issuance of two bonds. It is using this Housing Production Fund to finance mixed-income, mixed-use developments. The county retains majority ownership and control of these developments and requires that at least 30 percent of the units in each building be income-restricted (20 percent for households earning below 50 percent the area median income and 10 percent for those earning below 65 to 70 percent) (HOCMC 2024). After projects are complete, the loans are repaid to the Housing Production Fund and become available for additional projects. The county expects the fund to produce at least 6,000 new housing units with an average of 300 units per project.

The Housing Production Fund enables Montgomery County to "replace private equity as developers' main source of investment," which reduces project costs by tens of millions of dollars, as the county requires a return of only 5 percent instead of the mid-to-high teens generally demanded by private equity firms.[5] The first development produced by the fund, a 268-unit, mixed-income building just outside Washington, DC, and a short walk from a DC Metro station, opened in June 2023.

Leaders in other jurisdictions have since taken interest in Montgomery County's "public developer" model. In January 2024, Boston's mayor pledged to grow the city's public housing units by 30 percent in the next 10 years, in part by creating a revolving fund to finance mixed-income units.[6] In February 2023, Seattle voters approved Initiative 135, which proposed to create a public development authority that would develop, own, and maintain publicly financed mixed-income social housing developments.[7] Interest is growing at the state level, as well. In February 2024, New York State lawmakers introduced S. 8494, which would establish a Social Housing Development Authority with a mandate "to build, acquire, rehabilitate, and preserve permanently affordable housing statewide."[8] Legislators in Rhode Island have also introduced multiple bills over the past two years (including H. 6168 and S. 2939) that would create a statewide public developer, but none have passed out of committee.[9]

LEVERAGING PUBLIC LAND AND ASSETS

Hawaii legislators have introduced multiple bills in recent years that leverage public assets to create publicly owned, permanently affordable housing (or housing with very long affordability terms). These include S.B. 865 (passed in 2023), which established a program to develop low-cost, 99-year leasehold condominiums in urban redevelopment sites on state- and county-owned land (modeled on Singapore's public housing program),[10] and S.B. 2251 (passed in 2022), which allows the Hawaii Public Housing Authority to develop mixed-income and mixed-financed housing projects on various sites, including public land in agricultural districts.[11] S.B. 2251 has already facilitated the Ka Lei Momi Redevelopment Project, which will enable the redevelopment of existing state-owned properties and ultimately create 10,000 new affordable, publicly owned housing units in mixed-income, transit-oriented communities across the state.[12] The Ka Lei Momi Redevelopment Project will significantly expand Hawaii's stock of public housing from its existing 1,187 units and is intended to serve "extremely low-income individuals, families, and workforce employees."[13]

In 2022, a Washington, DC, councilmember proposed a "Green New Deal for Housing," which called for the creation of an Office of Social Housing Development to develop and maintain mixed-income, permanently affordable housing. To keep housing affordable, the bill called for converting district-owned land into social housing developments, using federal and local grants for development, and leasing ground floor commercial space to offset costs (with the condition that tenants of that space provide community amenities). The bill also specifies that while two-thirds of units should be affordable to households with very low or extremely low incomes, one-third may be rented at market rates to achieve rent cross-subsidization.

Similarly, in 2023 in Atlanta, Mayor Dickens created a new program, the Atlanta Urban Development Corporation, to build housing that is permanently affordable to Atlanta's middle- and low-income residents.[14] The program plans to leverage city-owned land and assets held by the public housing authority, as well as a local housing production fund (inspired in part by Montgomery County's example), to provide low-interest construction financing to develop housing. The housing production fund was initially seeded with $38 million in local bond revenue as well as philanthropic contributions (City of Atlanta 2023). Like many of the above proposals, the Atlanta model would cross-subsidize rental income from market-rate units to support units affordable for households earning 50 percent or less of the area median income.[15]

Regulations to Limit Speculation and Profit-Making in the Housing Market

States and localities have also proposed legislation to limit speculation in the housing market by curbing profit-making. Though the evidence on the effects of institutional investor activity on the housing market remains limited, many (though not all) of these proposals are targeted at large, institutional investors, who are thought to drive a majority of speculative activity. The latest proposals range from new taxes, to rent stabilization policies that would limit rent increases, to regulating ownership by institutional investors.

CURBING SPECULATION THROUGH NEW TAXES

In 2023, New York State legislators proposed the Protect Our Homes and Communities, Stop Predatory Housing Speculation Act (A. 1023). The legislation proposes to impose a tax on all one-to-three-unit properties sold within two years of purchase, regardless of whether they were rented or owner-occupied during that time. The tax amount would depend on how much time passed between purchase and sale, with homes sold in less than one year being subject to higher taxes (Williams 2023). Some sales, such as those that convey a property to a family member or those where the seller can demonstrate a financial hardship or foreclosure, would not be subject to the tax.

At the local level, taxes that have been proposed or implemented to curb speculation include land value taxes and vacancy taxes. Land value taxes are levied on the value of the land instead of the value of any buildings on the land or other improvements. Proponents argue that taxing land can incentivize landowners to use it for more productive purposes, such as housing, and in doing so create more housing units.[16]

Detroit mayor Mike Duggan recently proposed a split-rate tax, which involves separate tax rates for land and for improvements, to replace the city's current property tax. Under the proposed tax, land would be taxed at five times the rate of improvements on the land. But implementing the tax requires a change to Michigan state law, and although a bill was introduced in September 2023 and passed out of committee, final passage was postponed.[17] Split-rate taxes are not a new invention—Pennsylvania has allowed its municipalities to levy such taxes for more than a century, and during that period, more than a dozen cities (including Pittsburgh from 1913 until 2001) have adopted split-rate taxes.[18]

Furthermore, a number of cities in California, including Berkeley, Oakland, and San Francisco, have enacted vacancy taxes (taxes on unoccupied housing units) to incentivize owners to make more units available for rent instead of holding them as investment vehicles.[19] In November 2022, San Francisco voters approved the Empty Homes Tax Ordinance to increase the number of housing units available for occupancy by disincentivizing prolonged vacancies. Advocates emphasized that the ordinance was about curbing speculative activity by "tackling the large, corporate landlords keeping units vacant, and those wealthy individuals who purchase units but don't use them."[20] Effective as of January 2024, the ordinance imposes an annual tax ranging from $2,500 to $5,000 (which will increase to as much as $20,000 in later years) on owners of buildings with more than two residential units who keep any of their units vacant for more than 182 days in any given tax year.[21] The funds raised will be used to support additional affordable housing and rent subsidies.

RENT STABILIZATION

Rent stabilization policies, which regulate rent increases and sometimes lease renewals, can also limit speculation in the private rental market, by limiting how much profit landlords can extract from their tenants. Though some jurisdictions, like New York City and Washington, DC, have well-established rent stabilization laws, most do not regulate rents. And as 31 states preempt such laws, doing so can be difficult.[22]

In 2019, California passed the Tenant Protection Act (A.B. 1482), which caps annual rent increases statewide at 5 percent plus the percentage change in cost of living, with a maximum limit of 10 percent. This legislation does not pertain to units constructed within the past 15 years, single-family rental units that are not owned by corporations, and units that are already subject to more stringent local rent stabilization ordinances.[23]

Since the pandemic, which illustrated starkly the importance of housing stability for renters, local governments have shown a renewed interest in these policies. Several California localities, such as Los Angeles County in 2021 and the City of Richmond in 2022, have passed regulations that establish more stringent rent stabilization guidelines than the state threshold (Cooperman, O'Rourke, and Foster 2022). In Minneapolis, voters approved a ballot measure empowering the city council to draft a rent stabilization ordinance, though the council has yet to pass one.[24] In other jurisdictions, rent stabilization measures have passed but continue to face challenges. For example, in 2022, voters in Orange County, Florida, approved a one-year cap of 9.8 percent on rent increases for certain rental units, but the measure was subjected to a temporary injunction and has not yet been implemented (Cooperman, O'Rourke, and Foster 2022).

REGULATING INSTITUTIONAL OWNERSHIP

Besides limiting profit through new taxes and regulations on rent increases, some state governments have gone even further and proposed to limit institutional investment in housing altogether, under the assumption that speculation is driven predominantly by large, institutional investors. Although the evidence on the overall effects of institutional investment on housing stability and affordability is still somewhat limited (box 1), some state legislators have nonetheless been eager to curb investor influence, particularly in the single-family market. California lawmakers proposed three separate bills to limit institutional investment in single-family homes in the most recent legislative cycle. A.B. 2584 would ban institutional investors (defined as investors who own more than 1,000 single-family homes) from buying or investing in additional single-family home properties to rent them out; S.B. 1212 would ban institutional investors (defined as any managed fund or real estate investment trust) from purchasing, acquiring, or leasing a single-family home for any reason at all; and A.B. 1333 would ban developers from selling homes in bulk to institutional investors.[25]

BOX 1

The Evidence on Institutional Ownership of Housing and Its Effects on Housing Affordability and Stability

There are many gaps in the current knowledge on institutional ownership of housing, particularly when it comes to single-family homes. To begin with, there is no one accepted definition of an institutional investor—some identify all limited liability companies as institutional holders, some use a threshold of ownership of as few as three single-family properties, and others use much higher thresholds of 1,000 or more properties.[a] Moreover, institutional investors fall into different categories, with some seeking short-term returns (house flippers, for instance) and some holding and managing rental properties for long-term returns. The lack of a universally accepted definition makes determining the extent of institutional ownership difficult.

In addition to difficulties understanding the scope of the problem, there is currently limited evidence on whether institutional investors who own rental properties for longer-term periods are likely to charge higher rents, whether they are more likely to evict tenants without cause, and whether they outcompete individuals and families for single-family homes. What evidence there is remains mixed. For instance, whereas data show that an increase in single-family investor activity tends to occur after a period of rising rents, meaning that rents lead investment activity, new research has found that single-family areas with higher concentrations of institutional ownership saw higher rents than comparable neighborhoods.[b] Because of these knowledge gaps, efforts to regulate institutional investor activity should first focus on supporting additional data collection (including through programs such as rental registries) and research to determine the extent and effects of institutional ownership.[c]

Sources:

[a] Ben Christopher, "What You Need to Know About California Housing and Corporate Landlords," *Cal Matters*, March 7, 2024, https://calmatters.org/housing/2024/03/institutional-investors-corporate-landlords/; Laurie Goodman, Amalie Zinn, Kathryn Reynolds, and Owen Noble, *A Profile of Institutional Investor-Owned Single-Family Rental Properties* (Washington, DC: Urban Institute, 2023).

[b] Christopher, "What You Need to Know About California Housing and Corporate Landlords."

[c] Ingrid Gould Ellen and Laurie Goodman, *Single-Family Rentals: Trends and Policy Recommendations* (Washington, DC: Brookings Institution, Hamilton Project, 2023).

Similarly, in Minnesota, a bill was introduced in the 2023–24 session that would prohibit corporate entities from purchasing single-family homes with the intention of turning them into rental properties (Christopher 2024). And in February 2024, North Carolina lawmakers introduced a bill to cap the number of single-family homes that people or businesses can buy in the state's most populous counties at 100. Advocates applauded the bill for directly addressing the "consolidation of ownership to the point where there is an imbalance of power" and for prioritizing local families over investors, but it is seen as unlikely to pass the Republican-controlled state house.[26] Interest in regulating institutional investor ownership has not been limited to Democratic lawmakers, either: in March 2024, Texas governor Greg Abbott called on state lawmakers to address the "corporate large-scale buying of residential homes" that was "making it harder for the average Texan to purchase a home."[27]

Some legislators are also concerned about the effects rent-setting technology is having on rental costs, in part because of a 2022 exposé on the dominant software provider, RealPage, which suggested that the company's algorithm could be helping the nation's largest landlords coordinate rental pricing.[28] In 2022, Colorado's legislature brought forward a bill that would prohibit landlords from using algorithms to set residential rents, declaring that doing so would be the equivalent of committing "an unfair or deceptive trade practice" under the Colorado Consumer Protection Act.[29]

Mechanisms to Bolster Community and Collective Ownership

In the past few years, state and local policymakers have introduced numerous laws aimed at enabling renters and community groups to achieve housing stability through collective ownership. The most common of these have been opportunity to purchase acts. Often referred to as Tenant Opportunity to Purchase Acts (TOPA) and Community Opportunity to Purchase Acts (COPA), these policies allow tenants (in the case of TOPA) and public entities or nonprofit organizations (in the case of COPA) to acquire residential properties (whether subsidized or unsubsidized) ahead of investors. TOPA and COPA policies often use right of first refusal or right of first offer as the mechanism by which tenants or community organizations can acquire properties.

TOPA policies have existed for some time in a limited number of jurisdictions, including Washington, DC, and Takoma Park, Maryland. More recently, San Francisco passed a COPA policy in 2019, which gives qualified nonprofit organizations the right of first offer for certain properties offered for sale in the city. The act requires owners to notify a qualified list of affordable housing nonprofits when they put a building up for sale. Owners must give the eligible nonprofits the chance to match private offers before selling.[30] San Francisco's COPA policy also includes a financial incentive for owners to sell to nonprofits—it exempts properties valued at $5 million or more from a portion of the local property transfer tax.[31] TOPA legislation was also passed in Philadelphia and Baltimore in 2023. The Philadelphia act requires owners of affordable housing to provide tenants with 12 months' notice before taking any action to sell,[32] while the Baltimore policy requires owners to give tenants 14 days to sign a letter of intent to purchase before they move forward with selling the property to other parties.[33]

Several states have started to experiment with similar legislation. In 2022, Ohio's senate introduced a bill (S.B. 334) to require a 45-day window on sales of foreclosed single-family homes, to provide time for the current tenant or homeowner, another potential owner-occupant, a nonprofit organization, or a public agency to purchase the property if desired.[34] Tenants would be required to match the offer while other potential owners would be required to exceed the initial offer. In Colorado, a similar bill that pertained to sales of buildings with 15 or more units in urban counties and five or more units in rural counties was passed by the state senate but vetoed by the governor. The law would have given the right of first purchase to public agencies with the goal of using the properties for long-term affordable housing.[35]

Another mechanism for supporting community ownership has been through community land trusts (CLTs), which are nonprofit organizations that retain ownership of land to achieve permanent affordability.[36] These models have gained traction over the past two decades, and the number of CLTs in the US has increased from 162 in 2006, to 225 in 2018, to 309 today.[37] This growth has sparked increasing interest from state and local policymakers alike.

At the local level, some city governments have founded their own community land trusts. Chicago and Irvine, California, were among the first two cities to do so, in 2005 and 2006, respectively (Miller 2013).[38] The Irvine Community Land Trust was created in part because of growing concern from local officials about the increasing imbalance between jobs and available housing units. The city was able to donate surplus property to the trust and provide initial financial support, and the Irvine CLT is now a self-sustaining nonprofit stewarding nearly 500 housing units.[39] More recently, cities like Los Angeles and New York have instead taken a slightly different approach of providing funding and technical assistance to help CLTs start and grow.[40]

Similar supports for CLTs are being considered at the state level. New York State legislators, for instance, have introduced multiple bills in recent years to create new acquisition funds for community land trusts.[41] State legislators across the country are also considering additional ways to support CLTs, such as providing property tax exemptions, giving CLTs priority in applying for surplus land, and otherwise helping them build capacity and acquire resources.[42] In 2019 California passed a bill creating certain property tax exemptions for affordable housing developments owned by CLTs, including exemptions during the construction period.[43] Advocates called the bill "a wonderful change and a great victory for community land trusts throughout California," noting that "property taxes on active developments eat away at funds that could be used to better improve a property, or, worse yet, bar smaller organizations from addressing the housing crisis at all."[44]

The Need for Federal Support

Although the above state and local efforts are promising and indicative of the growing interest across the country in advancing housing decommodification, the federal government is also an essential partner in decommodification efforts for three main reasons: first, the scale of the housing affordability and stability problems nationwide are such that federal intervention is critical; second, federal policies and programs have contributed to current levels of hyper-commodification, and federal action is required to reform these policies and programs to support more equitable outcomes in the housing market; and third, creating a meaningful amount of permanently affordable housing will require significant investments in building new skills and capacity to enable residents and community-based organizations to collectively own, manage, and govern housing, and the federal government can help support technical assistance to address these capacity gaps. We expand on each of these points below and highlight existing federal efforts, as well as opportunities for additional federal support.

Addressing Housing Affordability and Stability Problems Nationwide

The scale of our present housing affordability crisis is well known. According to the Joint Center for Housing Studies, in 2022 half of all renters were cost burdened (meaning they spent more than 30 percent of their incomes on rent and utilities), representing an all-time high of 22.4 million cost-burdened renter households (JCHS 2024). In addition, from 2019 to 2021 the percentage of cost-burdened homeowners increased, with 23 percent of homeowners, or 19 million households, spending more than 30 percent of their incomes on housing (JCHS 2023). And while housing stability and security are more difficult to measure (Solari et al. 2023), evictions are once again on the rise following the expiry of pandemic protections, and as of January 2023 the number of people experiencing homelessness nationwide was at an all-time high (HUD 2023).

Though the causes of housing instability are many, most experts agree that the lack of housing supply is a primary cause of unaffordability (Alexandrov and Goodman 2024). Estimates of the housing shortage vary, but there is general consensus that it is quite large: in 2020 Freddie Mac estimated the gap at 3.8 million homes, and more recently the National Low Income Housing Coalition suggested that an additional 7.3 million units are needed to house the nation's low-income renters.[45] Given the magnitude of this shortage and the cost of developing affordable housing—sometimes even exceeding $1 million per unit in California, where the housing shortage is among the nation's worst—it is imperative for the federal government to intervene, including by supporting efforts to create permanently affordable housing.[46]

The federal government has, in fact, already signaled interest in finding ways to do so. Most recently, President Biden proposed a new $20 billion innovation fund for housing expansion in the fiscal year 2025 budget that would support launching or expanding "innovative housing models that increase the stock of permanently affordable rental and for-sale housing," among other uses (White House 2024). And a recent congressional bill, the HOME Investment Partnerships Reauthorization and Improvement Act of 2024, proposed to modify the HOME program to both increase funding for the program (from current levels of approximately $1.5 billion to $5 billion per year, with 5 percent annual increases thereafter) and allow recipients to use HOME funds to support permanently affordable housing.[47]

Some legislators have also demonstrated interest in supporting new public and social housing. In March 2024, Senator Bernie Sanders (I-VT) and Representative Alexandria Ocasio-Cortez (D-NY) introduced the Green New Deal for Public Housing Act, which would address the public housing capital backlog to rehabilitate and fund clean-energy improvements to existing public housing.[48] The act would also repeal the Faircloth Amendment, which prevents public housing authorities from using federal funds to construct new public housing beyond the number of units that each authority owned, assisted, or operated in 1999, thereby giving local governments more leeway to substantially increase their stock of publicly owned, permanently affordable housing.

Alleviating Federal Contributions to Commodification

A number of federal programs have contributed, and continue to contribute, to hyper-commodification in the housing market. The mortgage interest deduction, for instance, has been shown to encourage the purchase of more and larger homes, thereby increasing home prices and accelerating commodification, though these impacts have decreased since the Tax Cuts and Jobs Act reduced incentives (Airi et al. 2024; Sommer and Sullivan 2018). At an estimated cost of $30 billion annually, the deduction is already one of the most expensive federal programs and may more than double in cost after the provisions in the Tax Cuts and Jobs Act expire in 2025 (Waters, Minott, and Lautz 2023). Similarly, the capital gains exemption, which exempts proceeds from home sales of up to $250,000 from capital gains taxes, contributes to housing commodification by subsidizing investment in real estate at the expense of other wealth-building vehicles.[49]

Members of Congress have expressed interest in revisiting current federal policies to understand their role in encouraging speculative behavior and accelerating commodification. In July 2023, for example, a group of Democrats led by Senator Sherrod Brown (D-OH) introduced the Stop Predatory

Investing Act to restrict tax breaks for large investors (defined as those who own 50 or more single-family rental homes) and prevent them from deducting interest or depreciation on those properties.[50] And in December 2023, Democrats introduced a bicameral bill to end institutional investment in the single-family rental market. Known as the End Hedge Fund Control of American Homes Act of 2023, the bill would require hedge funds (defined as corporations, partnerships, or real estate investment trusts that manage funds pooled from investors) to sell off all the single-family homes they own over a 10-year period, and eventually prohibit these firms from owning any single-family homes at all. During the phaseout period, the bill would also impose stiff tax penalties (up to 50 percent) on these investors, with the proceeds going to a down-payment assistance fund.[51] In addition to these efforts, the Biden administration announced that regulators would increase their scrutiny of the use of algorithms to set rents, noting that such behavior violates antitrust laws.[52]

As noted earlier, however, because of current gaps in knowledge about how institutional investors affect housing affordability and stability, efforts to regulate institutional investment should first focus on supporting efforts to understand the scale and scope of the problem, including by ensuring transparency in ownership of both single- and multifamily homes. As more transparency enables researchers to examine the effects of institutional ownership on neighborhood market dynamics, rent setting, and tenant outcomes, avenues for future federal policy in this area may become clearer.

On the multifamily rental side, the government-sponsored enterprises Fannie Mae and Freddie Mac hold a large share of multifamily mortgage debt (MBA 2023) and support approximately 8 million multifamily units, amounting to approximately 40 percent of all multifamily rental units in the US.[53] Although these GSEs have an obligation to maintain strong financial positions and reasonable economic returns in their lending portfolios, they are also tasked with facilitating financing of affordable housing for low- and moderate-income families, consistent with their public purposes. Both GSEs' mission statements include affordability as a key goal.[54] Despite this, owners of properties financed by the two GSEs are not held to any rental affordability requirements, and recent reporting has shown anecdotal evidence of rent gouging in GSE-backed properties.[55]

As the regulator of the GSEs, the federal government is in a position to impose requirements—such as rent stabilization and affordability requirements—that would help dampen hyper-commodification driven by taxpayer-backed loans. The Federal Housing Finance Agency, the conservator of the GSEs, has in fact already indicated an interest in this area: in May 2023, it released a Request for Input seeking information on tenant protections in GSE-backed properties, noting that the information received would be "foundational to FHFA's future exploration of resident-centered management practices at Enterprise-backed properties."[56] Although many policies for protecting renters fall under the jurisdiction of state and local governments, the federal government can nonetheless explore additional pathways to support and encourage these efforts, including tying federal funding for housing and other infrastructure to the presence of robust tenant protections.

The federal government has also made efforts to improve access to financing for borrowers interested in purchasing shared equity homes—the "duty to serve" rule that Congress imposed on the GSEs requires them to increase access to mortgages for shared equity homebuyers.[57] These efforts can support decommodification by increasing demand for—and access to—permanently affordable housing, but more should be done to support a large-scale shift toward treating housing as an essential good to be used rather than an asset to profit from. Strategies for doing so could include shifting away from subsidizing homeowners—and particularly wealthy homeowners—at the expense of renters, and supporting alternative vehicles for wealth building. The latter is particularly important for Black households, because home equity makes up nearly half of their wealth, compared to only 19 percent for white households.[58] Creating and supporting alternative means of building wealth, such as baby bonds, matched savings accounts, or neighborhood trusts, can help Black households diversify their assets and decrease their financial dependence on the continued commodification of their homes.

Building Capacity and New Skills for Residents and Community-Based Organizations

Decommodification entails not just removing housing from the private, speculative market, but also empowering residents to have a say in where and how they live. California's proposed Social Housing Act, for instance, specified that although the units created would be owned by a public entity, residents should "have the right to participate directly and meaningfully in decisionmaking affecting the operation and management of their housing units."[59] Similarly, DC's Green New Deal for Housing called for tenant leadership boards, which would review property management contracts and community rules, and for tenants to sit on a social housing coordinating council along with public officials and housing experts.[60] Other models of permanently affordable housing also incorporate democratic community control. Community land trusts, for instance, are commonly governed by boards comprising three types of community members: residents or owners of CLT homes, nonresident members of the broader community, and public representatives, such as government officials or other community leaders.[61]

Although there are existing efforts to build the capacity of community-based organizations to manage housing (such as HUD's funding for Community Housing Development Organizations through the HOME program), more needs to be done to support successful decommodification at scale across the nation, including capacity building for community-based organizations and skills building for residents. The Biden administration has previously recognized this gap, and it included significant resources for capacity building and training and technical assistance in its Build Back Better proposal to create a $10 billion Community Revitalization Fund (White House 2021). Although Build Back Better failed to become law, the need for capacity and skills building remains, and federal support is necessary to ensure that residents and community organizations across the country have equitable access to these resources.

In addition to resources for capacity building and training and technical assistance, the federal government could provide direct and flexible funding for CLTs and other shared equity models, either through a dedicated new program or an existing one (such as the National Housing Trust Fund). Such funding could enable community-based organizations to acquire properties, rehabilitate them, and keep them off the speculative market and in community control in perpetuity.

Considerations for Federal Policymakers

The strategies highlighted above—creating publicly owned, permanently affordable housing, limiting speculation and profitmaking, and bolstering community and collective ownership—can support decommodification by changing incentives and removing portions of the housing stock from the speculative market. But a housing market that includes decommodified housing options is not guaranteed to be a more equitable one—crafting and implementing policies that also advance equity and housing justice requires careful balancing of several considerations. We highlight three of the most critical below.

How Much Permanently Affordable Housing Needs to Be Created to Achieve Stability and Affordability for All Households?

Perhaps the most important question for the federal government to consider is how much permanently affordable housing needs to be created to achieve housing stability and affordability for all households (or, in other words, to ensure that access to housing is no longer conditioned on ability to pay). Answering this question necessitates grappling with what role (if any) private, for-profit actors should have in the provision of housing, an essential public good. It also necessitates determining the right mix of private, public or social, and community or collectively owned housing, and evaluating how best to create permanently affordable housing at the necessary scale.

Although some may argue that, as an essential good, *all* housing should be decommodified, this is both unlikely and potentially undesirable, as some households may continue to value the option of having housing that can appreciate with the market. Nonetheless, growth in renter households is expected to significantly outpace growth in homeowner households through 2040 (Goodman and Zhu 2021), and many of these renter households might desire housing that provides more stability than renting on the private market can provide.

While permanently affordable housing (even models like community land trusts that provide residents the opportunity to have ownership stakes) offers less opportunity for building wealth than traditional homeownership, having access to stable, affordable housing is a necessary precondition to achieving economic stability and upward mobility. Permanently affordable housing can be one of an array of housing types supported by the federal government to advance housing stability and affordability, and should be accompanied by investments that support alternative means of wealth building that do not perpetuate housing unaffordability for future generations.

But to begin to answer the question of how much permanently affordable housing needs to be created, it may be necessary for the federal government to first identify a "north star," or an overarching goal for federal policy in this area. One potential north star might be to ensure that all currently unhoused people have access to stable long-term shelter. As of the last Point-in-Time count in 2023, more than 650,000 people across the US were experiencing homelessness, which would suggest an upper limit of roughly 650,000 housing units that need to be decommodified.[62] A more ambitious north star might be to end housing-cost burdens for all renters, which would suggest a need for 22.4 million permanently affordable units that can provide housing at a price affordable to all the renter households experiencing cost burdens in 2022 (JCHS 2024).

In considering the right mix of private, public (including social), and community or collectively owned housing, special attention will also need to be given to people with more complex needs, such as people with disabilities, people with mental health illnesses, and people exiting jail or prison, who tend to be less competitive in the open market. For these households, there may not be one-size-fits-all solutions, and targeted supports or additional services beyond the provision of housing—even if it is permanently affordable—may be needed.

How Can Public and Social Housing Programs Be Designed to Avoid Past Pitfalls and Ensure Sustainability?

Assuming that at least some new public or social housing will need to be created to achieve decommodification at scale, a second critical consideration is how these programs can be designed to avoid the pitfalls of the past. Because of chronic underfunding as well as historical siting and other policy decisions that entrenched segregation by race and income, public housing in the US has gained a reputation for being poverty-stricken, crime-ridden, and deteriorating (Schindler and Moyer 2022).[63] Many have suggested that mixed-income, mixed-use social housing developments could avoid the problems of segregation and the concentration of poverty, but any new public or social housing program will need to be thoughtfully designed, with careful consideration given to where developments should be sited, how units should be allocated between different types of households (including those with different income levels), and how they should be passed on over time. As researchers at the Othering and Belonging Institute suggested in a recent report (Moore et al. 2024), social housing proposals should also consider questions such as how to respond to and proactively combat past and ongoing patterns of racialized harm, such as disinvestment from neighborhoods of color and exclusion of certain groups from high-opportunity neighborhoods.

In determining how to finance new public or social housing models, the federal government will need to consider how to support not only initial development costs, but also ongoing maintenance and operational costs. This may involve difficult tradeoffs between the needs of the lowest-income households and the potential to generate more revenue from the rental payments of moderate- and higher-income households. Financing the development of new permanently affordable housing, however, is well within the federal government's means. The much more ambitious north star goal of creating 22.4 million permanently affordable housing units, assuming a cost of $329,000 per newly developed unit (the national average cost to build a home in 2023),[64] carries a price tag of $7.3 trillion; spread over an ambitious 10 years, this is still less than the $840 billion appropriated for defense spending in FY 2024 (Arthur and Woodward 2023).

How Can Housing Providers Build Community Power and Foster Resident Leadership While Advancing Equity and Inclusion?

Lastly, in supporting models of permanently affordable housing, which call for empowering residents with leadership and decisionmaking roles, one key consideration for the federal government is how to ensure all community members can participate in the governance of their housing in ways that advance equity and inclusion. This may require considering which community members should have a say in decisionmaking, whether input from certain groups should be prioritized over others, and what types of decisions each group should be included in (Moore et al. 2024), which will require balancing the desire to solicit input from all community members against the need to ensure that community-informed processes do not result in exclusionary outcomes for specific groups (particularly people of color and other historically marginalized groups).

Attention should also be given to how to give voice not only to existing residents of a particular community, but also potential future residents, including members of groups who have been historically excluded and discriminated against. The federal government may want to look to existing models of participatory governance in housing, such as the model used by many community land trusts, which are governed by tripartite boards that include equal representation from residents, nonresident community members, and representatives of the public interest (generally public officials or nonprofit providers of housing or social services) (NLC 2021).

Decommodification as One Part of a Multipronged Approach to Achieving Housing Justice

Our scan of state and local policies and proposals revealed three primary strategies with which policymakers are pursuing housing decommodification: supporting the development of permanently affordable housing, limiting speculation and profit-making in the housing market, and bolstering community and collective ownership. We suggest potential avenues for federal intervention in these areas and highlight critical considerations for federal policymakers interested in pursuing these strategies, including questions that require further research and exploration.

As we noted in our introduction, decommodifying housing, although necessary to achieve housing justice, is just one of many critical strategies policymakers should pursue to ensure housing affordability and stability for all. Attempts to support decommodification—whether local, state, or federal—must be accompanied by efforts to increase the overall supply of housing (including affordable housing and market-rate housing), protect renters and homeowners from predatory actors in the housing market, and support mobility within and between cities and states. These efforts can include policies as far ranging as land use and zoning reforms, a right to counsel for tenants facing eviction, antidiscrimination and antisegregation policies, policies that bolster income and financial security for individuals and households, and policies that create alternative avenues for building wealth. Only such a cohesive and multipronged approach can overcome historical and ongoing disparities and ensure that all individuals and families have access to affordable housing that enables them to thrive in places of their choosing.

Appendix A. Efforts to Support Housing Decommodification

TABLE A.1

State and Local Efforts to Support the Decommodification of Housing, 2019 to 2024

	Strategies to create publicly owned, permanently affordable housing	Regulations to limit speculation and profit-making in the housing market	Mechanisms to bolster community and collective ownership
California	Though the governor vetoed A.B. 309, which would have created a Social Housing Program within **California's** Department of General Services, the state successfully passed S.B. 555 in 2023, which requires the Department of Housing and Community Development to develop a plan for the state to create 1.2 million units of social housing over 10 years.	In 2019, the state passed the Tenant Protection Act (A.B. 1482), which capped annual rent increases for most units at the lower of 10 percent or 5 percent plus inflation. Lawmakers also proposed three separate bills to limit institutional investment in single-family homes in 2024: A.B. 2584, S.B. 1212, and A.B. 1333.	In 2019, **California** enacted S.B. 196, which created certain property tax exemptions for affordable housing developments owned by community land trusts.
Los Angeles, CA		*In 2021, **Los Angeles County** passed an ordinance capping annual rent increases at 8 percent.*	*In 2020, County supervisors approved $14 million in funding for a pilot Community Land Trust Partnership program.*
Richmond, CA		*In 2022, **Richmond** voters approved a measure that caps annual rent increases at the lower of 60 percent of inflation or 3 percent, which is lower than the state's mandated maximum increase.*	

	Strategies to create publicly owned, permanently affordable housing	Regulations to limit speculation and profit-making in the housing market	Mechanisms to bolster community and collective ownership
San Francisco, CA		*In 2022,* ***San Francisco*** *voters approved the Empty Homes Tax Ordinance, which imposes a tax on owners who keep units vacant for more than half the year.*	*In 2019, the City launched a Community Opportunity to Purchase Act.*
Colorado		In 2024, a bill was introduced in the **Colorado** General Assembly that would prohibit landlords from setting residential rents using algorithms relying on nonpublic competitor data.	In 2023, **Colorado** legislators passed a 2023 bill giving public agencies the right of first purchase of certain buildings to be used for long-term affordable housing, but it was vetoed by the governor.
Florida			
Orange County, FL		*In 2022,* ***Orange County*** *voters approved a one-year cap on rent increases for certain rental units, but this measure is subject to a temporary injunction and cannot be implemented yet.*	
Georgia			
Atlanta, GA	*In 2023 the mayor created the Atlanta Urban Development Corporation in 2023 to build housing that is permanently affordable to the city's middle- and low-income residents, partly by leveraging city-owned land and assets.*		

	Strategies to create publicly owned, permanently affordable housing	Regulations to limit speculation and profit-making in the housing market	Mechanisms to bolster community and collective ownership
Hawaii	In 2023 **Hawaii** passed S.B. 865, which established a program to develop low-cost, 99-year leasehold condominiums on state- and county-owned land, and in 2022 it passed S.B. 2251, which allows the Hawaii Public Housing Authority to develop new mixed-income housing on various sites, including public land in agricultural districts.		
Maryland			
Baltimore, MD			*In 2023, **Baltimore's** mayor signed into law a stronger Tenant Opportunity to Purchase Act, requiring that owners give tenants at least 14 days to decide whether they want to purchase the building before moving forward with other buyers.*
Montgomery County, MD	*In 2021 **Montgomery County** created a $100 million revolving fund to finance mixed-income social housing.*		
Massachusetts			
Boston, MA	*In January 2024, **Boston's** mayor pledged to grow the city's public housing units by 30 percent in the next 10 years, partly by creating a revolving fund to finance mixed-income units.*		
Michigan			

	Strategies to create publicly owned, permanently affordable housing	Regulations to limit speculation and profit-making in the housing market	Mechanisms to bolster community and collective ownership
Detroit, MI		*In 2023* ***Detroit's*** *mayor proposed a land value tax that would tax land at five times the rate of improvements.*	
Minnesota		In 2024 a bill to prohibit corporate entities from purchasing single-family homes with the intention of turning them into rentals passed out of committee.	
Minneapolis, MN		*In 2021,* ***Minneapolis*** *voters approved a ballot measure empowering the city council to draft a rent stabilization ordinance, though the council has yet to pass one.*	
New York	In 2024 lawmakers introduced a bill that would create a Social Housing Development Authority that could build, acquire, rehabilitate, and preserve permanently affordable housing.	In 2023 **New York** State legislators proposed the Protect Our Homes and Communities, Stop Predatory Housing Speculation Act, which would impose a tax on 1-to-3 unit properties sold within 2 years of purchase.	Legislators have also introduced multiple bills to create new acquisition funds for community land trusts (including S. 8265 in 2021 and A. 5865 in 2023).
New York City, NY			*In 2019 the* ***New York City*** *council announced $870,000 in discretionary funding to help incubate and expand community land trusts.*
North Carolina		In 2024, lawmakers introduced the Home Ownership Market Manipulation Act, a bill that would cap the number of single-family homes that people or businesses can buy in the state's most populous counties at 100.	

	Strategies to create publicly owned, permanently affordable housing	Regulations to limit speculation and profit-making in the housing market	Mechanisms to bolster community and collective ownership
Ohio			In 2022 **Ohio's** senate introduced S.B. 334, which required a 45-day window on sales of foreclosed single-family homes to provide current tenants/owners or community groups time to purchase the property if desired.
Pennsylvania			
Philadelphia, PA			*In 2023* ***Philadelphia's*** *City Council passed a People's Preservation Package, which included a right of first refusal law granting tenant organizations, the city, and affordable housing providers 45 days to make a purchase offer before the property can be marketed for sale.*
Rhode Island	In 2022, **Rhode Island** legislators introduced the "Create Homes Act" (S. 2939) to create a statewide Department of Housing and a housing development fund. In 2023, H.B. 6168 was introduced to create a housing production revolving fund seeded with $50 million in bond funds.		
Washington			

	Strategies to create publicly owned, permanently affordable housing	Regulations to limit speculation and profit-making in the housing market	Mechanisms to bolster community and collective ownership
Seattle, WA	*In 2023, **Seattle** voters approved Initiative 135, which authorized the creation of a public development authority that develop, own, and maintain publicly financed mixed-income social housing developments.*		
Washington, DC	A DC councilmember proposed a "Green New Deal for Housing" in 2022, calling for the creation of an Office of Social Housing Development to develop and maintain mixed-income, permanently affordable housing.		

Source: Authors' analysis.

Notes: This table highlights examples of state and local policies or programs supporting housing decommodification that were proposed or implemented in the past five years. It does not capture all relevant policies across all 50 states and 90,000 local governments.

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